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In The

Supreme Court of the United States

October Term, 1996

OXXFORD CLOTHES XX, INC.,

Petitioner,

v.

EXXON CORPORATION,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fifth Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether a defendant in a trademark infringement or dilution case raising the affirmative defense of abandonment of a mark by naked licensing must not only show licensing without quality control, but also show an additional element of "loss of significance of the mark" under 15 U.S.C. 1127(2).

PARTIES TO THE PETITION

Oxxford Clothes XX, Inc. has no subsidiaries; and its parent is Tom James Company, a Tennessee corporation.

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PETITION FOR WRIT OF CERTIORARI

Petitioner, Oxxford Clothes XX, Inc., respectfully requests that a writ of certiorari be issued to review the judgment of the United States Court of Appeals for the Fifth Circuit in this case.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Fifth Circuit is reported at *Exxon Corp. v. Oxxford Clothes XX, Inc.*, 109 F.3d 1070 (5th Cir. 1997), *rehearing en banc denied*, 116 F.3d 1479, Appendix A. The opinion of the district court in *Exxon v. Oxxford* is not published but can be found at Appendix B.

STATEMENT OF JURISDICTION

Summary judgment was granted striking Oxxford's affirmative defenses in the district court. The case was certified for interlocutory appeal under 28 U.S.C. 1292(b). The judgment of the United States Court of Appeals for the Fifth Circuit ("Court of Appeals") granted the appeal by order dated June 4, 1996. An order and decision by the Court of Appeals affirming the district court was entered on April 10, 1997. The Court of Appeals denied timely rehearing on May 14, 1997.

The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

15 U.S.C. 1127(2)
15 U.S.C. 1055
15 U.S.C. 1064(3) & (5)(A)
15 U.S.C. 1115(b)(2) & (b)(3)

STATEMENT OF THE CASE

A. The Nature of the Proceedings

Exxon Corporation ("Exxon") sued Oxxford Clothes, Inc. for trademark infringement, unfair competition and dilution (by blurring) under the Texas statute, for recent use of a separate, interlocking, XX symbol. It later amended by deleting its infringement and unfair competition claims and adding Oxxford Clothes XX, Inc. (collectively "Oxxford") as a defendant. In defense, Oxxford denied the Complaint and asserted, *inter alia,* naked licensing as an affirmative defense.

The district court, in addition to dismissing all of Oxxford's other defenses and its counterclaim, granted summary judgment to Exxon, dismissing the naked licensing defense. Oxxford appealed from the entirety of the district court's decision, and the United States Court of Appeals for the Fifth Circuit granted interlocutory appeal on the naked licensing issue.

The district court struck the defense of naked licensing after finding that agreements between Exxon and third parties using admittedly confusingly similar marks were not licenses. The Fifth Circuit's decision assumed that the agreements were indeed licenses "in a technical sense." Appendix A, p. 14a. The Fifth Circuit affirmed the

district court's decision, however, by holding that, in addition to proving the existence of naked licensing, Oxxford also must show that Exxon's marks have lost trademark significance thereby. It is this holding that violates well-established precedent of the federal doctrine against naked licensing, subordinates the hitherto paramount interests of the public, and forms the basis of this Petition for a Writ of Certiorari.

B. Statement of Facts

Oxxford has for many years manufactured handmade men's suits. It began using its double XX's in 1946, to distinguish and thereby protect the corporate trademark, and it registered the mark "OXXFORD" with the U.S. Patent and Trademark Office in 1949. More recently, on November 1, 1972, Standard Oil Company (New Jersey) changed its name to Exxon Corporation. In 1995, after a subsidiary of Tom James Company purchased all of the assets of Oxxford, its name was changed to Oxxford Clothes XX, Inc.

Over the past decade, Exxon asserted numerous claims for trademark infringement and dilution against third parties for using marks that Exxon admitted were confusingly similar to Exxon's marks. As the Fifth Circuit summarized: "Phase out agreements orchestrated by Exxon during the 1970s did give Exxon quality control rights over the alleged infringer or diluter's products. Later phase out agreements, however, did not give Exxon such rights. It is these later agreements on which Oxxford's naked licensing defense is based. There are some fourteen of these later agreements."

The district court refused to find that these phase-out agreements were licenses and, on that basis, struck naked licensing as an affirmative defense. The Fifth Circuit's decision considered these agreements as licenses, but held that an additional element of proof of the defense of naked licensing was required to establish the defense, i.e. whether the trademark in question "has lost its significance as a mark" under 15 U.S.C. 1127(2). Finding that Oxxford had offered no evidence to that effect, the Panel affirmed the lower court's decision.

REASONS FOR GRANTING THE PETITION

I. The Decision Below Departs From Well Settled Federal Law; And Announces A New Element In The Law Against Naked Licensing

A. The Doctrine Against Naked Licensing

Exxon v. Oxxford presents to this Court an unprecedented construction of the Lanham Act and a new element of related common law. The decision below effectively repeals the law against naked licensing. Under this new law, a trademark may now be totally invalid as a symbol on which the consuming public may rightly rely, yet remain totally enforceable in the courts in infringement and dilution suits. This new state of the law is not only illogical, but is also philosophically opposed to our historic principle that trademark law is administered for the protection of the public.

Trademark law exists primarily to protect the public from confusion, deception and fraud. American trademark law is one of the oldest, broadest, most economically important and, until this decision, the most reliable consumer protection law in our jurisprudence. The United States Court of Appeals for the Fifth Circuit has repudiated the heretofore universal presumption that if a mark holder engages in naked licensing, the mark is abandoned and the rights to the mark are forfeited.[1]

The law against naked licensing is the very foundation of trademark doctrine. A mark must have true, actual, genuine significance in order to warrant legal

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[1] Until the decision below, abandonment has been an irrebuttable presumption, arising as a matter of law by virtue of the occurrence of certain facts constituting naked licensing, *Dawn Donut Company, Inc. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 367 (2nd Cir. 1959) (" . . . controlled licensing does not work an abandonment . . . while a system of naked licensing does"); *U.S. Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 140 (3rd Cir. 1981) (" . . . we recognize that either naked licensing or licensing without reasonable control can work an abandonment."); *E. F. Prichard Co. v. Consumers Brewing Co.*, 136 F.2d 512, 522 (6th Cir. 1943) (Such permission for use . . . would be a naked license and void, resulting in an abandonment . . . of any rights to the mark in that area."); *AmCan Enterprises, Inc. v. Renzi*, 32 F.3d 233, 235 (7th Cir. 1994) ("If the licensor does not maintain adequate quality control, the mark may be deemed abandoned, or, equivalently, the licensor may be estopped to complain about infringements of it.") (Cites omitted); *Stanfield v. Osborne Industries, Inc.*, 52 F.3d 867, 871 (10th Cir. 1995) ("Because a finding of insufficient control results in the forfeiture of a mark . . . ") (Cites and footnote omitted); *Haymaker Sports, Inc. v. Turian*, 581 F.2d 257, 261 (C.C.P.A. 1978) ("Uncontrolled licensing of the mark results in abandonment of the mark by the lessor.") (Cites omitted).

protection, not simply *market* significance as the Fifth Circuit announced. The mark must exist as a true symbol of source and quality, even if the public does not know the identity of the source. Now the Fifth Circuit has, for the first time, held that naked licensing does not cause a mark to lose its significance under 15 U.S.C. 1127(2). *Exxon v. Oxxford* holds that until the mark has lost its *market* significance, the mark will not be deemed abandoned. Construing 1127(2) so narrowly (by deciding that naked licensing alone does not trigger the abandonment statute) practically eliminates the public protection feature of the Lanham Act.

The law allows licensing of trademarks with the indispensable element of quality control. Because the trademark carries with it a message that the trademark owner is controlling the quality of the goods or services sold under the mark, assurance of quality is essential. Without quality control, the mark owner's message is demonstrably false, and the public is deceived and misled. Accordingly, the trademark owner not only has the right to control quality, it has the **duty** to do so. When a trademark owner fails to fulfill this obligation, the mark carries the potential for customer fraud: the antithesis of a valid trademark.

> The public is hardly in a position to uncover deceptive uses of a trademark before they occur and will be at best slow to detect them after they happen. Thus, unless the licensor exercises supervision and control over the operations of its licensees the risk that the public will be unwittingly deceived will be increased and this is precisely what the Act is in part designed to

> prevent. Clearly the only effective way to protect the public where a trademark is used by licensees is to place on the licensor the **affirmative duty** of policing in a reasonable manner the activities of his licensees.

Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 367 (2nd Cir. 1959) (emphasis added).

Until the decision below, our law has been that any mark holder who licenses his mark without controlling the quality engages in *bare* or *naked* licensing; and because this works to the detriment of the public, the mark holder is deemed to have abandoned his mark.

B. *Exxon v. Oxxford* Abandons Precedent

Forfeiture via naked licensing of a trademark existed as a federal doctrine both before and after Congress passed the Lanham Act. Gilson & Samuels, *Trademark Protection & Practice*, 6.01(6)(e) ("A completely uncontrolled or 'naked' trademark license constitutes an abandonment of the licensor's rights in the mark.") *Haymaker Sports, Inc. v. Turian*, 581 F.2d 257, 261 (C.C.P.A. 1978) ("Uncontrolled licensing of a mark results in abandonment of the mark by the licensor."); *E. I. Du Pont De Nemours & Co. v. Celanese Corp. of America*, 167 F.2d 484, 488 (C.C.P.A. 1948) ("It is obvious, therefore, that the license agreement is not a naked license agreement, and that appellee has not abandoned its mark . . . "). Brown, *Franchising*, § 1.03 ("Under the Lanham Act, a licensor must exercise quality control over the licensee or risk loss of the trademark.") Never before the decision below has any court even suggested that a question of lost market

significance is relevant to the issue of whether the owner's rights have been forfeited by naked licensing.

The act of naked licensing itself causes a forfeiture of the mark owner's rights.[2] The holding in *Exxon v. Oxxford*

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[2] The preceding case law on the presumption is consistent. Abandonment is shown by proof of naked licensing alone; nothing else is needed. The following cases are from the Fifth Circuit itself: *Moore Business Forms, Inc. v. Ryu*, 960 F.2d at 489 (albeit a case that rested on the finding of a consent, not a license, noted that, in the context of licensing, a finding of insufficient control "essentially signals involuntary trademark abandonment and works a forfeiture"); *Taco Cabana Intern., Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1121 (5th Cir. 1991) ("[f]inding a 'naked license' signals involuntary trademark abandonment and forfeits protection."); *American Foods, Inc. v. Golden Flake, Inc.*, 312 F.2d 619, 624-25 (5th Cir. 1963) (stating that cases involving abandonment by licensing and failure to control are "forfeiture" cases).

Other Circuits are also consistent that proof of naked licensing alone works a forfeiture: *Stanfield*, 52 F.3d at 871 ("When a trademark owner engages in naked licensing without any quality control over the quality of goods produced by the licensee, such a practice is inherently deceptive and constitutes abandonment of and rights to the trademark by the licensor."); *Dawn Donut*, 267 F.2d at 366 ("[T]he Lanham Act places an affirmative duty upon a licensor . . . to detect and prevent misleading uses of his mark . . . or suffer cancellation of his federal registration."); *Northwestern Corp. v. Gabriel Mfg. Co.*, 1996 WL 732519, slip op. p. 8 n. 4 (N.D. Ill. 1996) ("This practice is sometimes referred to as 'naked licensing' or uncontrolled licensing of a mark whereby the licensee can place the mark on any type or quality of goods causing the mark to lose any significance it may have."); *Warner-Lambert Co. v. Schick U.S.A., Inc.*, 935 F. Supp. 130, 143 (D. Conn. 1996) ("Where a licensor retains no control over the nature of quality of goods or services provided in connection with the mark, such 'naked licensing' will result in abandonment."); *CNA Financial Corp. v. Brown*, 922

states that there is no abandonment, even if naked licensing is shown, until the mark has also lost its significance

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F. Supp. 567, 574 (M.D. Fla. 1996), quoting *Stanfield*, 52 F.3d at 871 ("Under the Lanham Act, '[n]aked (or uncontrolled) licensing of a mark occurs when a licensor allows a licensee to use the mark on any quality or type of good [or service] the licensee chooses. [cite omitted] Indeed, . . . naked licensing . . . is inherently deceptive and constitutes abandonment of any rights to the service mark by the licensor."); *First Interstate Bancorp. v. Stenquist*, 16 U.S.P.Q.2d (BNA) 1704, 1706, 1990 WL 300321 (N.D. Cal. July 13, 1990) ("[I]t is well established that where a trademark owner engages in naked licensing, without any control over the quality of goods produced by the licensee, such a practice is inherently deceptive and constitutes abandonment of any rights to the trademark by the licensor."); *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 578 F. Supp. 911, 929 (S.D.N.Y. 1983), *aff'd*, 746 F.2d 112 (2d Cir. 1984) ("Uncontrolled licensing of a mark results in abandonment of the mark by the licensor.")

The Trademark Trial and Appeal Board follows the same rule. *Naclox, Inc. v. Lee*, 231 U.S.P.Q. 395, 399 (1986) (holding that a license with no control "would result in an abandonment . . . of any rights in the . . . mark . . . by virtue of naked licensing"); *Yocum v. Covington*, 216 U.S.P.Q. 210 (1982) ("uncontrolled licensing causes a symbol to lose its meaning as a trademark. . . . ").

Statutory law also is consistent on this point. 15 U.S.C. 1064(3) (as to all marks) & (5)(A) (as to certification marks particularly) provide:

> A petition to cancel a registration of a mark . . . may . . . be filed . . . : (3) At any time . . . if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source or the goods or services on or in connection with which the mark is used. . . . (5) At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark . . . : Provided, That the Federal Trade

as an indicator of origin. The decision below strips the law against naked licensing of its presumption of forfeiture of mark enforcement rights.

By construing 1127(2) so narrowly, the court below has limited the term "loss of significance" to the concept of mere market significance. Thus, a mark will not be deemed abandoned until the general public discovers that the mark does not indicate the same source or quality that it formerly did. The decision below functionally abandons the historic precept that deception of the public is inherent in naked licensing. If this holding is allowed to become law, then any mark holder[3] could engage in naked licensing and fraud until the public realized that

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Commission may apply to cancel on the grounds specified in (3) and (5) any mark registered on the principal register . . . .

[3] Fortunately for Exxon, violation of the law against naked licensing does not force it to pull down its ubiquitous signs and stop using its trademarks. Exxon, like any other of the extremely rare violators of the law against naked licensing, properly loses the present and, heretofore, subsisting right to enforce its family of marks in the courts and the trademark office. Thus, Exxon incurs the consequences of trademark invalidity in its actions pending against Oxxford and in actions Exxon might mount against alleged infringers or diluters for activity prior to the latter of the final decision in this case or cessation of its practice of naked licensing. Presumably, due to the pervasive public use to which it puts its family of trademarks, Exxon will immediately and successfully re-adopt and re-register them. In other words, Exxon's lights will not go dark, but everyone else who depends on this Court for protection will know that Exxon is not above or outside the important national law and policy against naked licensing.

the mark was no longer indicative of source. This petition, therefore, presents a basic question of federal consumer protection.

The Fifth Circuit's statement that it declines to "judicially manufacture a presumption of loss of trademark significance" is in direct conflict with all existing federal law.[4] Without this very presumption, which has always existed, our law on trademark licensing as forbidding deception of the public is rendered practically unenforceable. The legal presumption of forfeiture is essential to protect the public from fraud. *Haymaker Sports Inc.*, 581 F.2d 257, 261 (C.C.P.A. 1978) ("A licensor may license his mark if the licensing agreement provides for adequate control . . . The purpose of such a requirement is to protect the public from being misled.") (Cites omitted); *Taco Cabana*, 932 F.2d 1113, 1121 (5th Cir. 1991) ("The purpose of the quality-control requirement is to prevent the public deception that would ensue from variant quality standards under the same mark or dress.")

The Fifth Circuit's decision in this case, however, is the first time any court has ever held that a defendant must show naked licensing *and* loss of significance of the

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[4] The court below relied on quoted dicta from a 1968 New York District Court case for its reasoning that the absence of quality control "may" constitute abandonment by naked licensing. *Carl Zeiss Stiftung v. Carl Zeiss, Jena*, 293 F. Supp. 892, 918-19 (S.D.N.Y. 1968). The word "may" in that case did not indicate that a finding of naked licensing would not, under some circumstances, work an abandonment. Instead, the word "may" referred to the possibility that assurance of quality control could be found under the facts of a particular case, thereby precluding a finding of naked licensing.

mark in order to establish the defense of abandonment by naked licensing. This is a fundamental change to a long standing and well settled area of law.

Until now, case law has held that naked licensing works a strict forfeiture of the mark; thus, scholars and courts alike have believed that proof of naked licensing *was* proof of loss of mark significance under 15 U.S.C. 1127(2). *Trademark Protection and Practice,* Gilson and Samuels, 3.06[9][a] (1997) (Abandonment arising out of the loss of significance normally arises in the following three types of circumstances: (1) When trademark holder engages in "naked" licensing of his trademark . . . "); *Defiance Button Mach. Co. v. C. & C. Metal Products,* 759 F.2d 1053, 1059 (2nd Cir. 1985) ("The mark also ceases to be enforceable against others when it loses its significance as an indication of the origin of goods sold by and associated with the mark owner, such as when the owner makes the mark the subject of an unrestricted license or sale to others . . . ") (Cites omitted). The requirement to show loss of significance of the mark *is* only an element of **other** types of abandonment such as non-use and acquiescence.[5]

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[5] There are several ways a mark can lose its significance: use of more than one trademark by the holder, non-use of a mark by a holder, uncontrolled use by third party users, changes in a trademarked item, or the failure to identify the mark as the one registered. The proof of loss of significance of a mark is necessary to all these types of abandonment. For example, a trademark infringement defendant can show that the mark holder has failed to control *third party users* (as opposed to licensees) thus allowing the mark to lose its significance under 1127(2). *Sweetheart Plastics, Inc. v. Detroit Forming, Inc.,* 743 F.2d 1039, 1048 (4th Cir. 1984) ("The district court's instruction that

The case presented here is the first case ever to have held that a mark holder may engage in naked licensing *without* its trademark being deemed to have lost its significance, as a matter of law.

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the plaintiff abandoned its rights by having 'knowingly permitted other manufacturers to use the designs without any control' is thus erroneous in this case which does not involve licensing by Sweetheart. Evidence of a trademark owner's failure to prosecute infringers is relevant to a determination of the defense of abandonment only where such failure amounts to the mark's losing significance as an indication of source.") (Cites omitted). The Fourth Circuit had previously cited Professor McCarthy stating that the failure to prosecute others goes rather to the strength of the mark as opposed to "abandonment," but that eventually the mark would lose all distinctiveness and only then would it be "abandoned." 1 McCarthy, *Trademarks and Unfair Competitions* 17:5 at 779-780 (2d ed. 1984).

In the case at bar, the Fifth Circuit court cites McCarthy for the proposition that abandonment cannot be shown without a showing of loss of significance. *Exxon v. Oxxford*, Appendix A, p. 21a. The Fifth Circuit confuses two separate doctrines of abandonment. Professor McCarthy states that loss of significance of the mark is relative as to the failure to control third party users, not licensees.

The court of appeals also cites *Defiance Button Mach. Co.*, 759 F.2d 1053, 1061-62 (2d Cir. 1985) for the conclusion that section 1127(2) was intended to apply only when the subject mark ceased to be an indicator of origin. Again, the lower court confuses the two separate doctrines. *Defiance Button Mach. Co.* is not a naked licensing case but, rather, a case of non-use of the mark by the plaintiff (Defiance) and subsequent sale of plaintiff's manufacturing assets. In the absence of any assurance of quality control, loss of significance is presumed.

C. Congressional Intent is Consistent With The Prevailing Common Law Against Naked Licensing

The Lanham Act demonstrates Congress's intent that a trademark which is deceptive should not be enforceable.

> The Lanham Act clearly carries forward the view of these latter cases that controlled licensing does not work an abandonment of the licensor's registration, while a system of naked licensing does.

Dawn Donut, 267 F.2d 358, 367 (2nd Cir. 1959) (cite of 15 U.S.C. 1055 omitted).[6]

Another expression of Congressional intent to protect the public from the deception inherent in naked licensing is section 1064(5)(A) itself, which provides that the Federal Trade Commission may cancel a registration of a mark at any time if the registrant does not control, or is not able legitimately to exercise control over, the use of such mark. Furthermore, section 1115 of the Act lists the defenses available to an infringement action. Part (2) of this section lists abandonment, the usual characterization of the naked licensing defense; but also includes part (3) which allows an infringement defendant to show proof that a mark is being used "with the permission of the registrant" so as to misrepresent the source of the goods or services in connection with the mark.

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[6] The Fifth Circuit's holding is squarely opposite the very decisions listed in footnote 12 of its opinion. (*Exxon*, Appendix A, pp. 18a-19a).

Clearly, Congress intends for a mark to retain legal protection only as long as it is not used in a manner which deceives the public. Consider the following contrary statement from *Exxon v. Oxxford*:

> Conversely, if a trademark has not ceased to function as an indicator of origin there is no reason to believe that the public will be misled; under these circumstances, neither the express declaration of Congress's intent in subsection 1127(2) nor the corollary policy considerations which underlie the doctrine of naked licensing warrant a finding that the trademark owner has forfeited his rights in the mark.

Exxon Corp. v. Oxxford Clothes, Inc., Appendix A, p. 20a.

Naked licensing constitutes a fraud upon the public simply *because* the mark in question is still significant as an apparent indication of origin. In other words, the harm of failure to assure quality in a license occurs because the familiarity of the licensed mark misleads the public into assuming a familiar source and hence a familiar level of quality. By stripping the naked license doctrine of its presumption of abandonment, the court has made it easier for mark holders to commit fraud on the public. This clearly conflicts with the intent of the Lanham Act.

II. If Left to Stand, The Decision Below Will Have Profoundly Detrimental Effects on Licensees, All Future Litigation, the Consuming Public, and the American Economy

A. Effect on Licensees

The more difficult it is to show mark abandonment through naked licensing, the safer it is for the mark owner to engage in that deceptive practice. So long as a pervasive mark does not lose its market significance, the mark owner may mislead the public with impunity. The effect of the holding below will be incorporated into all types of license agreements of tomorrow and gradually erode public confidence in all trademarks.

For the thousands of licensees across this country and their employers, creditors and suppliers, this is a grave turn of events. The value of a licensee's business depends upon the strength of the mark it has licensed. Eventually, as the public slowly realizes that it cannot rely on the quality that the mark formerly and purportedly symbolized, the licensee's investment in the mark will become worthless.

B. Effect on Future Litigation

The otherwise prevailing doctrine against naked licensing has had only one component of proof, the absence of quality control. The burden of proof for naked licensing itself is very heavy *because* the doctrine works a strict forfeiture of the mark. Gilson and Samuels, *Trademark Protection and Practice*, (1997), 3.06[9][a] ("Abandonment for reasons of uncontrolled quality is in the nature of a forfeiture of rights, and the party seeking to establish

it has a very strict burden of proof to sustain.") (Footnote omitted); *Moore Business Forms, Inc. v. Ryu*, 960 F.2d 486, 489 (5th Cir. 1992) ("Because a finding of insufficient control essentially signals involuntary trademark abandonment and works a forfeiture, however, the proponent of a naked license theory faces a stringent standard of proof.") (Cites and quotation marks omitted); *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1017 (9th Cir. 1985) ("Because a finding of insufficient control essentially works a forfeiture, a person who asserts insufficient control must meet a high burden of proof.") (Cites omitted). Although courts have differed as to what type of proof is necessary to show a naked license, they have all demonstrated that the burden is very heavy.[7]

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[7] Whether a license constitutes a naked license is a fact specific inquiry. How much and what type of control is necessary to secure a valid license is not uniform across the federal system. Some courts require actual control, while others merely require the legal right to control the licensee. The formalities of control can be relaxed even further if the court finds some sort of special relationship between the licensee and the licensor, which has the expected effect of assuming quality control, such as brothers who had worked together for eight years. *Taco Cabana*, 932 F.2d 1113, 1122 (5th Cir. 1991). (See generally *Annotation: Granting of "Naked" or Unsupervised License to Third Party as Abandonment of Trademark*, Edward K. Esping, 118 A.L.R. Fed. 211).

Because of Exxon's admissions, this case did not involve a fact specific inquiry into whether quality control existed. *Exxon v. Oxxford*, Appendix A, p. 3a ("Later phase out agreements, however, did not give Exxon such [control] rights. It is these later agreements on which Oxxford's naked licensing defense is based.").

The added requirement to show that the general public has discovered that it is being misled, which was created by the decision below, puts future trademark infringement and dilution defendants in an almost impossible position against owners of pervasive or famous trademarks. This increased burden renders the law against naked licensing unenforceable.

As discussed in Section 1 B of this Petition, this case does not involve any other types of abandonment such as genericism or non-use; therefore, "loss of trademark significance," which is the new element of proof required by the Fifth Circuit to establish forfeiture via naked licensing, can only mean the loss of market significance.

Perhaps the new holding, that proof of naked licensing is no longer synonymous with loss of significance, will, ironically, open an avenue for legal challenge of the very efficacy of American trademarks. Conceivably, domestic and importer trademark infringers or diluters may now resort to the philosophical implication of the decision below and cite *Exxon v. Oxxford* for the proposition that American trademarks equitably should no longer be afforded court protection, since, under the new holding, trademarks are logically only significant to the extent of public perception, rather than to the extent of the reality they signify.

The granting of certiorari is the only way the Court can address this new development in trademark law, this new weakening of the foundation of trademark law, before the inevitable harm ensues.

Because the hitherto simple and decisive law against naked licensing has been so clearly and universally in

place for so long, it is extremely unlikely that another opportunity to examine the operation and effect of the law against naked licensing will soon come before the Court. Most of the cases in our courts which involve naked licensing are decided on the proof of an adequate modicum of quality control assurance, so, rare indeed will be the opportunity to address the legal effect of the total absence of quality control assurance; whereas, here the absence of quality control stands admitted in the record.

C. Significance of Interlocutory Appeal and Procedural Situation

This case came to the Fifth Circuit as an interlocutory appeal after summary judgment was entered against Oxxford, and for Exxon, dismissing Oxxford's affirmative defense of abandonment by naked licensing. (The district court found that Exxon's "phase-out" agreements were not licenses.) On appeal, the Fifth Circuit assumed that the agreements were naked licenses, but added the new element to the naked licensing defense. The court then held that, because Oxxford failed to show this new element in its summary judgment papers in the lower court, which element had not existed when Oxxford filed its motion, Oxxford is now barred from presenting this affirmative defense when the trial resumes:

> Exxon . . . directed the district court's attention to Oxxford's failure to meaningfully address what is an essential component of its third-party naked licensing defense, i.e., a loss of trademark significance in Exxon's mark(s). Even if we were to construe Oxxford's pleadings to allege the

> unlikely proposition that Exxon's registered marks . . . have lost their distinctiveness . . . Oxxford has failed to adduce evidence sufficient to allow a reasonable factfinder to conclude that Exxon has abandoned its marks. *Exxon v. Oxxford*, Appendix A, p. 23a.

The decision below merely affirmed the district court without remanding for attention to the newly created element of the naked licensing defense, a far departure from the accepted and usual course of judicial proceedings. *See, e.g., American Trucking Ass'ns v. Scheiner*, 483 U.S. 266, 297-98 (1987) (remanding for further proceedings in light of change in the tax law). Therefore, without certiorari, there can never be a review of the decision below.

D. Effect on the General Public

The decision below protects the trademark owner at the expense of the consuming public by weakening the deterrent effect of the naked license doctrine. Therefore, the decision below ultimately weakens the philosophical legitimacy of famous American trademarks as privileges heretofore entitled to protection.

There are numerous nationally pervasive trademarks today. The doctrine against naked licensing is applicable from the smallest corner drug store to the largest corporate giant of the world. In fact, it is all the more important to hold the huge corporations to this doctrine, as they are specially situated to harm the public. Many famous trademarks may never lose market significance, no matter how much naked licensing might be employed, and no matter how often some consumers are deceived by the undiscovered absence of quality control in various licenses. If

this decision is not overturned, there is no practical deterrent to prevent famous mark owners from omitting quality control provisions from troublesome licenses, perhaps to avoid product liability exposure in trademark enforcement phase-out agreements.

Naked licensing works a forfeiture, that is to say an involuntary, unintentional abandonment of the mark. *Taco Cabana*, 932 F.2d 1113, 1121 (5th Cir. 1991) ("But Two Pesos faces a stringent standard because finding a naked license signals involuntary trademark abandonment and forfeits protection.") (Cites and quotation marks omitted). The legal presumption of forfeiture is essential to the protection of the public.

E. Effect on the American Economy

There are several incentives for mark holders and licensees to avoid quality control in their transactions. Unless this Court preserves the existing doctrine against naked licensing, upon which the genuineness of our trademark depends, the Fifth Circuit's decision will spawn a new generation of naked licenses pervading the commerce of our country. With naked licensing proliferating, the efficacy of American trademarks will be irreparably undermined, with no legal recourse for conscientious mark holders and licensees to forestall the wide decline in brand confidence.[8]

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[8] In 1996, retail sales of all licensed merchandise reached $72.28 billion, up slightly more than 3% from 1995's $69.93 billion of licensed goods sold. The increase was paced by growth in corporate trademark and brand licensing, which grew

III. This is an Issue of First Impression for The Court

This Court has never heard a case of abandonment by naked licensing, nor on the construction of 15 U.S.C. 1127(2) as applied to licensing without quality control. The decision below abandons decades of settled federal doctrine and depends upon a novel construction of 15 U.S.C. 1127(2).

Until now, proof of naked licensing has been presumed to effect a forfeiture of trademark rights. The decision below casts doubt over the statute's meaning and adopts a modified naked license doctrine, which protects the mark holder at the expense of the public. To weaken the naked licensing doctrine is to weaken the foundation of trademark law. Never before has the privilege of trademark rights been held to subsist apart from the exercise of the duty to safeguard the actual significance of the mark as a symbol of expected quality. Never before has the stewardship obligation of trademark ownership been limited by inquiry into public discovery or realization of nonfeasance.

6% to $15.1 billion, driven by the continued growth of brand extensions, particularly in the food business, and the entry by more companies into licensing. Trademark and brand licensed merchandise composed 21% of all licensed goods sold in 1996. (Source: *The Licensing Letter*, Vol. XXI, No. 1, Jan. 1, 1997. @ Copyright 1997 EPM Communications, Inc.).

CONCLUSION

Unless this Court acts, our brand-driven economy will be weakened by the public confusion which must follow the Fifth Circuit holding that trademarks remain legally viable as long as they remain market significant even though licensed without quality control assurance.

By denying this Petition, this Court would let stand an anomalous holding that a famous trademark may be simultaneously deceptive and enforceable; and naked licensing will surely proliferate.

Only by granting this Petition can this Court protect an essential premise of our trademark law: that naked or bare licensing is an inherently deceptive practice which is inconsistent with the privileges of trademark protection. cf. *Dawn Donut, Co.*, 267 F.2d 358. Hence, certiorari is appropriate.

Respectfully submitted,

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APPENDIX A

EXXON CORPORATION,
Plaintiff-Appellee,

v.

OXXFORD CLOTHES, INC. and Oxxford Clothes XX, Inc., Defendants-Appellants.

Nos. 96-20398, 96-20520.

United States Court of Appeals,

Fifth Circuit.

April 10, 1997.

Oil company brought action against clothing manufacturer, alleging that clothing manufacturer's trademark diluted oil company's trademark in violation of Texas law. Clothing manufacturer raised affirmative defense of naked licensing and filed state law dilution counterclaim. The United States District Court for the Southern District of Texas, John D. Rainey, J., entered judgment dismissing affirmative defense and state law dilution counterclaim, and clothing manufacturer appealed. The Court of Appeals, Garwood, Circuit Judge, held that: (1) oil company's "phase out" agreements with users of similar marks was not naked licensing that resulted in abandonment of its marks; (2) dilution counterclaim was barred by laches; and (3) even if counterclaim was not barred by laches, manufacturer's allegation regarding tarnishment caused by oil company's alleged reputation for greed and environmental destruction did not state dilution claim under Texas law.

Affirmed.

Appeals from the United States District Court for the Southern District of Texas.

Before KING, GARWOOD and PARKER, Circuit Judges.

GARWOOD, Circuit Judge:

Defendants-appellants Oxxford Clothes, Inc., and Oxxford Clothes XX, Inc. (Oxxford), appeal the district court's judgment dismissing Oxxford's affirmative defense of naked licensing and Oxxford's state law dilution counterclaim in this trademark dispute with plaintiff-appellee Exxon Corporation (Exxon). We affirm.

Facts and Proceedings Below

Both the "Exxon" mark and the complementary stylized interlocking "XX" symbol have been used by Exxon since the early 1970's, both marks receiving federal registration in 1972. In 1949, Oxxford federally registered as a trademark the name "Oxxford," written in the romanized alphabet but not including any stylized or interlocking "XX" design.

For more than two decades Exxon has aggressively protected its mark from infringement and/or dilution by seeking out and negotiating with other companies using marks similar to its own. In lieu of conclusive litigation, many of these companies opted to enter "phase out" agreements with Exxon in which the other company agreed that after existing stores of stationary, advertising materials, and products bearing the offending mark were exhausted, use of that mark would be discontinued.

These phase out periods afforded the potentially infringing or diluting companies time to develop and implement a new mark. The phase out agreements did not contain any quality control mechanisms ensuring the quality of goods or services offered under the offending mark during the phase out period.[1]

In 1993, Oxxford began using a trademark featuring an interlocking "XX" design virtually identical to that long previously registered by Exxon. Exxon filed suit against Oxxford[2] in October of 1994, complaining that Oxxford's use of the interlocking "XX" design infringed its federally-registered trademark, diluted Exxon's mark, and otherwise constituted an unfair business practice.

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[1] Phase out agreements orchestrated by Exxon during the 1970s did give Exxon quality control rights over the alleged infringer or diluter's products. Later phase out agreements, however, did not give Exxon such rights. It is these later agreements on which Oxxford's naked licensing defense is based. There are some fourteen of these later agreements. One of these has a three-year phase out period. All the rest are shorter, the next longest period being one year, which is provided for in four of these agreements; one has a ten-month period; two have six months; the remainder are three months or less. Five of these agreements settle litigation then actually pending.

[2] Exxon initially filed suit against Oxxford Clothes, Inc. In December of 1994, two months after this suit was filed, the assets of Oxxford Clothes, Inc., were purchased through a foreclosure sale by another corporation, John F. McDonough, Inc., a wholly-owned subsidiary of Tom James Company. John F. McDonough, Inc., subsequently changed its name to Oxxford Clothes XX, Inc. Oxxford Clothes XX, Inc., was added to this lawsuit in its capacity as successor-in-interest to Oxxford Clothes, Inc., pursuant to Fed. R. Civ. Pro. 25(c).

Exxon amended its complaint twice, ultimately dropping all but its Texas law dilution claim.[3]

In response to Exxon's second amendment of its complaint, Oxxford filed an amended answer raising a bevy of affirmative defenses, prime among these being an assertion that Exxon's phase out agreements with other allegedly infringing and diluting companies constituted "naked licenses." The gist of Oxxford's argument was that these agreements, insofar as they authorized third parties to continue to use infringing or diluting marks with Exxon's knowledge and approval, were "licenses"; and, because these "licenses" contained no quality control provision, they were "naked licenses" which, under prevailing law, could lead to forfeiture of Exxon's rights in its licensed marks.

On May 31, 1995, Oxxford filed a counterclaim alleging that, under Texas law, Exxon's use of its trade name, "Exxon" (without regard to the interlocking "XX" design), had diluted or tarnished its name and registered mark, "Oxxford." The basis of Oxxford's claim was a purported ease of association between "Exxon" and "Oxxford" which might lead aspects of Exxon's alleged corporate reputation for general greed and environmental destructiveness to be negatively attributed to Oxxford. The requested relief was that Exxon be enjoined from using its registered marks.

Both parties filed a plethora of motions, the pertinent ones for purposes of this appeal being cross-motions for

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[3] Jurisdiction over Exxon's final complaint was founded on diversity.

summary judgment on Oxxford's affirmative defenses, motions by Exxon to dismiss Oxxford's dilution counterclaim and to strike portions of that counterclaim, and a motion for partial summary judgment by Oxxford challenging Exxon's laches defense to its counterclaim.

On March 18, 1996, the district court entered a memorandum opinion and order in which, *inter alia*, it granted Exxon summary judgment on Oxxford's affirmative defense of naked licensing. The district court concluded that Exxon's phase out agreements were not licenses because, contrary to Oxxford's assertion that the agreements permitted third parties to continue misleading uses of Exxon's mark, the phase out agreements were in fact an appropriate mechanism for halting such activities, *i.e.*, legal settlements which ultimately secured Exxon's rights in its marks while avoiding the time and expense associated with trademark litigation. The district court also opined that the allegedly infringing and/or diluting companies which were party to these phase out agreements would have had no interest in being associated with Exxon and thus no reason to consent to the quality control provisions; therefore, imposing such a condition would have led these third parties to balk at entering the phase out agreements, limiting the utility of these devices in the resolution of trademark disputes. Finally, noting that the failure to prosecute or pursue infringers or diluters does not necessarily result in forfeiture of the trademark holder's exclusive rights in the mark, the district court posited that "[i]t would be anomalous for the Court to find facts supporting abandonment because Exxon has a strong enforcement program."

The district court also rendered summary judgment in Exxon's favor on Oxxford's tarnishment-dilution counterclaim. The district court rested its ruling on three separate determinations: 1) "Oxxford" is not a distinctive mark; 2) Oxxford failed to show that its mark had been used in an "unwholesome context" by Exxon; and 3) because Oxxford knew of the similarity between the marks for over twenty years and failed to act, the counterclaim is barred by laches. Based on the dismissal of Oxxford's counterclaim, the district court also granted Exxon's motion to strike those allegations in Oxxford's counterclaim impugning Exxon's reputation.

The district court entered an order certifying the dismissal of Oxxford's counterclaim as a partial final judgment under Federal Rule of Civil Procedure 54(b). The district court also certified the order dismissing Oxxford's affirmative defenses for interlocutory appeal pursuant to 28 U.S.C. § 1292(b).[4] Oxxford timely noticed an appeal from the Rule 54(b) judgment, and also petitioned this Court for interlocutory appeal under section 1292(b). Permission to pursue an interlocutory appeal was granted, and both appeals were docketed and later

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[4] The district court initially certified the order dismissing Oxxford's affirmative defenses as a partial final judgment under Rule 54(b). Oxxford noticed an appeal from that judgment, which was docketed in this Court under No. 96-20397 and has been dismissed for lack of appellate jurisdiction in a separate opinion issued this date. Nonetheless, we consider here all issues fairly presented by the district court's order of dismissal pursuant to section 1292(b). *Yamaha Motor Corp. v. Calhoun*, ___ U.S. ___, 116 S.Ct. 619, 133 L.Ed.2d 578 (1996).

consolidated for purposes of oral argument and final disposition.

Discussion

Oxxford appeals the district court's grant of summary judgment rejecting its affirmative defense of naked licensing and its tarnishment-dilution counterclaim.[5] Accordingly, the admissible evidence proffered by Exxon "must demonstrate the absence of a genuine issue of material fact, but need not negate the elements of [Oxxford's claim and defense]." *Little v. Liquid Air Corp.*, 37 F.3d 1069, 1075 (5th Cir.1994) (en banc) (citations omitted) (internal quotation marks omitted). If Exxon meets this burden, then Oxxford is compelled to go beyond its pleadings and designate, by competent summary judgment evidence, specific facts which demonstrate genuine triable issues. *Celotex Corp. v. Catrett*, 477 U.S. 317, 324-325, 106 S.Ct. 2548, 2553-2554, 91 L.Ed.2d 265 (1986). This formula does not vary where Exxon is the plaintiff challenging Oxxford's affirmative defense; because Oxxford bears the ultimate burden of persuasion at trial on its naked licensing defense, it must (provided Exxon has met its summary judgment burden) present admissible evidence legally sufficient to sustain a finding favorable to Oxxford on each element of that defense. *Crescent*

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[5] The district court's memorandum opinion and order embrace a large number of issues; Oxxford has chosen to brief only two, the dismissal of its affirmative defense of naked licensing and its dilution counterclaim. All other issues, not raised or briefed on appeal, are waived. *Cavallini v. State Farm Mut. Auto Ins. Co.*, 44 F.3d 256, 260 n. 9 (5th Cir.1995).

Towing & Salvage Co. v. M/V Anax, 40 F.3d 741, 744 (5th Cir.1994). In reviewing the district court's judgment, we consider the record *de novo*. *Wittorf v. Shell Oil Co.*, 37 F.3d 1151, 1154 (5th Cir.1994).

I. Naked Licensing Defense

We consider first Oxxford's claim that the district court erred in granting Exxon summary judgment on Oxxford's affirmative defense of naked licensing.[6] A

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[6] Both parties in briefing this issue have relied exclusively upon jurisprudence articulating the parameters of the naked licensing defense in the context of a federal trademark infringement claim, forgetting, apparently, that the only claim alleged by Exxon which remains extant is its state law dilution claim. No court construing Texas law has ever discussed, much less applied, the naked licensing defense in a trademark dispute. Furthermore, we have been unable to locate any cases construing federal trademark law which recognize naked licensing as a defense against a *dilution* (as opposed to an infringement) claim, perhaps because a federal cause of action for trademark dilution was apparently not available until the Lanham Act was amended to include one in 1996. *See* 15 U.S.C. § 1125(c), *added by* Pub.L. 104-98, § 3(a) (1996); *Community Federal Savings & Loan Assoc. v. Orondorff*, 678 F.2d 1034, 1036 n. 7 (11th Cir.1982) (no independent cause of action for dilution under federal trademark law); *R.G. Barry Corp. v. Mushroom Makers, Inc.*, 612 F.2d 651, 658 (2d Cir.1979) (same). This situation is complicated further by the fact that Texas common law does not recognize a cause of action for dilution and the statutory cause of action, upon which both parties rely, has not been decisively interpreted by any Texas court. Tex. Com. & Bus.Code § 16.29, *added by* Acts 1989, 71st Leg., ch. 932, § 1; *Sunland Furniture Co. v. Sunnyland Wholesale Furniture Co.*, 235 S.W.2d 674, 676-677 (Tex.Civ.App. – Dallas 1950, error refused) (Texas common law does not recognize cause of action for

naked license is a trademark licensor's grant of permission to use its mark without attendant provisions to protect the quality of the goods or services provided under the licensed mark. *Moore Business Forms, Inc. v. Ryu*, 960 F.2d 486, 489 (5th Cir.1992); *Taco Cabana Intern.*,

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trademark dilution). We also observe that there exists some incongruity between the naked licensing defense, which like much of federal trademark law is intended to protect the consumer from confusion by ensuring the licensed mark's continuing role as an indicator of origin, and dilution, which is concerned with preserving the integrity and vitality of the mark irrespective of consumer confusion.

Despite these difficulties, our review of the record and briefs convinces us that by addressing the issue as framed by the parties we may fairly adjudicate this case. Furthermore, we have previously found that, in considering a *res nova* issue under Texas trademark law, *Erie* requires this Court to decide the issue as a Texas court would, namely by adhering "to the general common law principles that other courts have uniformly applied." *Association of Co-Operative Members, Inc. v. Farmland Industries, Inc.*, 684 F.2d 1134, 1140 (5th Cir.1982), *cert. denied*, 460 U.S. 1038, 103 S.Ct. 1428, 75 L.Ed.2d 788 (1983), *citing Blue Bell, Inc. v. Farah Manufacturing Co.*, 508 F.2d 1260, 1264 (5th Cir.1975). In thus construing Texas trademark law, both this Court and Texas courts have relied upon relevant jurisprudence from other, primarily federal, jurisdictions and relevant treatises. *See, e.g., Blue Bell*, 508 F.2d at 1264-1267; *Texas A & M University System v. University Book Store, Inc.*, 683 S.W.2d 140, 144 (Tex.App. – Waco 1984). Thus, given the lacunae in Texas trademark law regarding the points raised in this appeal, we consider the question presented in light of general *federal* trademark law, with recourse to the abundant federal jurisprudence and treatise materials available on the issue. In doing so, we assume *arguendo*, for purposes of this appeal only, the debatable proposition that the naked licensing defense may be raised against a dilution claim brought under the Texas statute.

Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1121 (5th Cir.1991), *aff'd*, 505 U.S. 763, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992). A trademark owner's failure to exercise appropriate control and supervision over its licensees *may* result in an abandonment of trademark protection for the licensed mark. *Id. See Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena*, 293 F.Supp. 892, 918 (S.D.N.Y.1968) ("a 'naked' license *may* be the basis for an *inference* of abandonment where the licensor maintains no control over the quality of goods made by the licensee") (emphasis added; citation omitted), *aff'd as modified*, 433 F.2d 686 (2nd Cir.1970), *cert. denied*, 403 U.S. 905, 91 S.Ct. 2205, 29 L.Ed.2d 680 (1971). Because naked licensing is generally ultimately relevant only to establish an unintentional trademark abandonment which results in a loss of trademark rights against the world,[7] the burden of proof faced by third parties

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[7] There is an exception to this proposition. The licensee in a purported naked license may also invoke the naked licensing defense as a form of estoppel. *See, e.g., Sheila's Shine Products, Inc. v. Sheila Shine, Inc.*, 486 F.2d 114, 123-124 (5th Cir.1973) ("[f]ailure to exercise such control and supervision for a significant period of time may estop the trademark owner from challenging the use of the mark and business which the licensee has developed during the period of such unsupervised use") (citations omitted); *Health Industries v. European Health Spas*, 489 F.Supp. 860, 868 (D.S.D.1980) (discussing claim that reciprocity agreement with trademark owner's employee is sufficient to estop trademark owner from contesting defendant's use of that mark). Oxxford, however, was not a party to (and does not hold under any party to) the phase out agreements at issue in this case; thus, its defense is not a personal defense of acquiescence or estoppel, but is rather a claim that Exxon has abandoned its mark and thereby forfeited all its rights in that mark. 4 Thomas J. McCarthy, Trademarks and Unfair Competition, § 31:41-46 (4th ed.1996); *Sweetheart Plastics, Inc. v. Detroit Forming, Inc.*, 743

attempting to show abandonment through naked licensing is stringent. *Moore Business Forms*, 960 F.2d at 489; *Taco Cabana Intern., Inc.*, 932 F.2d at 1113, 1121; *American Foods, Inc. v. Golden Flake, Inc.*, 312 F.2d 619 (5th Cir.1963).

Oxxford's appeal raises two central questions in relation to its naked licensing defense: 1) were the phase out agreements between Exxon and the third parties "licenses," and 2) did these agreements result in an abandonment of Exxon's mark? We address these questions in turn.

"[A] license to use a mark . . . is a transfer of limited rights, less than the whole interest which might have been transferred." *Acme Valve & Fittings Co. v. Wayne*, 386 F.Supp. 1162, 1165 (S.D.Tex., Houston Div., 1974) (citations omitted). Even if the parties intend no formal licensing agreement, "[i]n some circumstances . . . the entire course of conduct between a . . . trademark owner and an accused infringer may create an implied license." *McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 920 (Fed.Cir.1995), *cert. denied*, ___ U.S. ___, 116 S.Ct. 1268, 134 L.Ed.2d 215 (1996). *See also Colt Industries, Inc. v. Fidelco Pump & Compressor Corp.*, 844 F.2d 117, 119-120 (3rd Cir.1988). The

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F.2d 1039, 1046 (4th Cir.1984) ("[w]hile abandonment results in a loss of rights as against the whole world, . . . acquiescence is a personal defense which merely results in a loss of rights as against one defendant") (citation omitted).

We reject Oxxford's argument that, this single, hereinapplicable exception aside, naked licensing has any presently relevant ultimate significance apart from its relevance in showing unintentional abandonment.

essential inquiry is whether, under cover of the agreement claimed to be a license, "the licensee is engaging in acts which would infringe the licensor's mark but for the permission granted in the license." 2 McCarthy, § 18:79, P. 18-128.

However, not all agreements authorizing use of a protected mark may be categorized as "licenses." As noted above, the essential inquiry is whether the right granted by the subject agreement permits an *infringing* use of the license. For example, some agreements which allow another party use of the subject mark constitute "consent-to-use" agreements and not licenses. *See, e.g., Moore,* 960 F.2d at 489; *American Foods, Inc. v. Golden Flake, Inc.*, 312 F.2d 619, 623-624 (5th Cir.1963). Such a consensual agreement "[i]s not an attempt to transfer or license the use of a trademark . . . but fixes and defines the existing trademark of each . . . [so] that confusion and infringement may be prevented." *Waukesha Hygeia Mineral Springs Co. v. Hygeia Sparkling Distilled Water Co.*, 63 F. 438, 441 (7th Cir.1894). Thus, we will not find the existence of a trademark license when an authorization of trademark use is structured in such a way as to avoid misleading or confusing consumers as to the origin and/or nature of the respective parties' goods. 2 McCarthy, § 18:79-81 (4th ed.1996); *In re Mastic Inc.*, 829 F.2d 1114, 1116-1118 (Fed.Cir.1987); *A.T. Cross Co. v. Jonathan Bradley Pens, Inc.*, 470 F.2d 689, 692-693 (2d Cir.1972); *Croton Watch Co. v. Laughlin*, 208 F.2d 93, 96-97 (2d Cir.1953); *Oreck Corp. v. Thomson Consumer Electronics, Inc.*, 796 F.Supp. 1152, 1157 n. 8 (S.D.Ind.1992).

Determining whether or not a particular agreement risks the possibility of allowing an infringing use of the

mark, *i.e.*, a use that creates a likelihood of consumer confusion, is, like the entirety of Oxxford's abandonment claim, ordinarily a factual inquiry. *Moore Business Forms*, 960 F.2d at 489; *Artcraft Novelties Corp. v. Baxter Lane Co. of Amarillo*, 685 F.2d 988, 992 (5th Cir.1982). As the Federal Circuit has put it,

> "One must look at all of the surrounding circumstances . . . to determine if the consent reflects the reality of no likelihood of confusion in the marketplace. . . . For example, the parties may prefer the simplicity of a consent to the encumbrances of a valid trademark license. However, if the goods of the parties are likely to be attributed to the same source because of the use of the same or a similar mark, a license (not merely a consent) is necessary to cure the conflict. *See* 1 J. McCarthy, *Trademarks and Unfair Competition* § 18:25, at 866 (2d ed.1984)." *In re Mastic*, 829 F.2d at 1116-1117.

Accordingly, if the goods or services of the concerned third parties were not ones which it is likely the public would confuse with those offered by Exxon, the phase out agreements are not licenses but rather some other, perhaps innominate, genre of trademark agreement.[8]

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[8] This emphasis on the likelihood of consumer confusion dovetails with the policy considerations giving rise to the naked licensing defense. *See Taco Cabana*, 932 F.2d at 1121 ("[t]he purpose of the quality-control requirement is to prevent the public deception that would ensue from variant quality standards under the same mark or dress") (citation omitted); *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 140 (3d Cir.1981) (finding fact that licensees did not offer "a lower quality of service" dispositive of naked licensing claim); *Schieffelin & Co. v. Jack Co. of Boca, Inc.*, 1992 WL 156560, *6

The district court did not make any determination regarding the likelihood of consumer confusion presented by Exxon's phase out agreements. Accordingly, we elect to assume, *arguendo only*, that these agreements constituted "licenses" in a technical sense.[9] This does not

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(S.D.N.Y.1992) ("[i]n the context of uncontrolled licensing, the concern is not with the quality of the goods in the abstract; rather, the concern is that when one or more licensees produce and distribute goods under the licensor's trademark . . . they may produce and distribute goods of differing qualities, thereby confusing or deceiving consumers"); *Engineered Mechanical Services, Inc. v. Applied Mechanical Technology, Inc.*, 584 F.Supp. 1149, 1159 (M.D.La.1984) (naked licensing claim cannot stand when "[d]efendants have offered no evidence that complaints have been made about the quality of the work performed" by the licensee).

[9] Courts have construed a variety of agreements and relationships entered into for a range of reasons, including the cessation or forbearance of litigation, to be trademark licenses subject to the naked licensing defense. *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1289-1290 (9th Cir.1992) (settlement agreement); *Stock Pot Restaurant, Inc. v. Stockpot, Inc.*, 737 F.2d 1576, 1579-1580 (Fed.Cir.1984) (lease); *United States Jaycees*, 639 F.2d at 139 n. 7 (affiliated organizations); *Professional Golfers Ass'n v. Bankers L. & C. Co.*, 514 F.2d 665, 668-669 (5th Cir.1975) (settlement and lease); *Sheila's Shine Products, Inc. v. Sheila Shine, Inc.*, 486 F.2d 114, 123 (5th Cir.1973) (purchase agreement); *Express, Inc. v. Sears, Roebuck & Co.*, 840 F.Supp. 502, 509-510 (S.D.Ohio 1993) (settlement agreements); *Engineered Mechanical Services, Inc.*, 584 F.Supp. at 1158-1159; *Universal City Studios, Inc. v. Nintendo Co.*, 578 F.Supp. 911, 929 (S.D.N.Y.1983) (covenant not to sue), *aff'd*, 746 F.2d 112 (2d Cir.1984); *Hodge Chile Co. v. KNA Food Distributors, Inc.*, 575 F.Supp. 210, 213 (E.D.Mo.1983) (settlement agreement), *aff'd*, 741 F.2d 1086 (8th Cir.1984); *Acme Valve & Fittings*, 386 F.Supp. at 1165-1166 (purchase order form); *Naclox, Inc. v. Lee*, 231 U.S.P.Q. 395, 399 (T.T.A.B.1986) (release on promissory note). We find these cases

give us pause, however, since the question whether the third-party phase out agreements are "licenses" is merely, given the current posture of this case, a prelude to the ultimate question presented by Oxxford's appeal, *i.e.*, whether the summary judgment evidence adduced would be adequate to support a finding that Exxon's course of action resulted in abandonment of its trademarks.

The naked licensing defense has traditionally been used in the context of infringement claims brought by the

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distinguishable from that now before us on two grounds. First, the agreements in these cases expressly granted use of the protected mark, while Exxon's phase out agreements concern marks that are merely (allegedly) similar to its registered marks and do not involve an attempt by Exxon to exploit its mark for purposes of pecuniary gain. Second, none of these cases discuss agreements entered into for the purpose of permanently terminating the putative licensee's offending use of the subject mark, and coordinately none of the agreements discussed in these cases fix a termination date for the licensee's use of the mark. This first point of distinguishment addresses the existence *vel non* of a license, while the second point is perhaps more appropriately considered in resolving the ultimate question of whether Exxon's actions, however denominated, led to an abandonment of its rights in its mark(s).

Oxxford also suggests that Exxon, by virtue of allegations made in the course of the abortive litigation which preceded a number of the phase out agreements, is judicially estopped from denying that the parties to those phase out agreements were engaged in an "infringing use" of Exxon's mark. Assuming, *arguendo only*, the potential viability of such a contention in an appropriate case, the record here does not reveal that any of these allegations were accepted as true by the respective courts; accordingly, the doctrine of judicial estoppel is inapplicable. *U.S. for Use of American Bank v. CIT Constr., Inc. of Texas*, 944 F.2d 253, 259 (5th Cir.1991).

trademark owner; and, this case began in such a mode. *See, however,* note 6, *supra.* Federal law statutorily limits the defenses which may be invoked against a claim brought under the Lanham Act by the owner of an incontestable mark, as Exxon is, to the eight categories of affirmative defenses set out in subsections (1)-(8) of 15 U.S.C. § 1115(b). *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 195-196, 105 S.Ct. 658, 662, 83 L.Ed.2d 582; *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1184 (5th Cir.1980), *cert. denied*, 450 U.S. 981, 101 S.Ct. 1516, 67 L.Ed.2d 816 (1981). Accordingly, we turn our attention to the Lanham Act, the font of federal trademark law, to ascertain the scope and limits of Oxxford's naked licensing defense.[10]

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[10] Unlike patents and copyrights, there is no specific constitutional provision making the regulation of trademarks a federal concern, and the first constitutional federal trademark act, passed pursuant to the Commerce Clause, was not enacted until 1905. 1 McCarthy, § 5.3. *See also Trade-Mark Cases*, 100 U.S. 82, 25 L.Ed. 550 (1879). The doctrine of "naked licensing" predated the passage of the Lanham Act, which took effect in 1947, and evolved in the pre-*Erie* world where federal common law provided the rule of decision in diversity cases. *See E.I. DuPont De Nemours & Co. v. Celanese Corp.*, 35 C.C.P.A. 1061, 167 F.2d 484, 489 (1948) (listing cases). *See also Dawn Donut v. Hart's Food Stores*, 267 F.2d 358, 366-367 (2d Cir.1959) (discussing divergent strains of naked licensing jurisprudence antedating passage of Lanham Act). Be that as it may, we are concerned with the applicability of the naked licensing defense as it is defined under current federal law. Given the absence of a specific federal constitutional concern with the law of trademarks, that law is indisputably statutory. *See generally O'Melveny & Myers v. FDIC*, 512 U.S. 79, 114 S.Ct. 2048, 129 L.Ed.2d 67 (1994). Accordingly, it is the language of the Lanham Act which under the circumstances of this appeal (see note 6, *supra*) decides the questions presented.

Oxxford's naked licensing defense, which as we have noted has ultimate relevance only to "abandonment," is authorized by 15 U.S.C. § 1115(b)(2).[11] *See Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867, 871 (10th Cir.), *cert. denied*, ___ U.S. ___, 116 S.Ct. 314, 133 L.Ed.2d 217 (1995); *Ditri v. Coldwell Banker*, 954 F.2d 869, 873 (3d Cir.1992); *General Motors Corp.*, 786 F.2d at 110; *Oberlin v. Marlin American Corp.*, 596 F.2d 1322, 1327 (7th Cir.1979); *Haymaker Sports, Inc. v. Turian*, 581 F.2d 257, 261 (C.C.P.A.1978); *Dawn Donut*, 267 F.2d at 366-367; *Schieffelin & Co.*, 1992 WL 156560, *5; *E.I. DuPont De Nemours*, 167 F.2d at 489-490; *Bonda's Veevoederfabriek, Provimi, B.V. v. Provimi, Inc.*, 425 F.Supp. 1034, 1037-1038

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[11] Both Oxxford and Exxon point to subsection 1115(b)(3) as the or [sic] a basis for Oxxford's naked licensing defense. This subsection provides a defense to an infringement claim if "the registered mark is being used . . . so as to misrepresent the source of the goods or services on or in connection with which the mark is used." A review of the jurisprudence construing this defense reveals that it is a defense of "unclean hands," only applicable when the origin or source of goods distributed under the subject mark is misrepresented. *See General Motors Corp. v. Gibson Chemical & Oil*, 786 F.2d 105, 110 (2d Cir.1986); *Induct-O-Matic Corp. v. Inductotherm Corp.*, 747 F.2d 358, 366 (6th Cir.1984); *Adjusters International, Inc. v. Public Adjusters Intern., Inc.*, 1996 WL 492905, *14 (N.D.N.Y.1996); *Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc.*, 841 F.Supp. 1339, 1355 (E.D.N.Y.1994). Further, acquiescence, estoppel, and the other equitable defenses listed in subsection (b)(8) are personal defenses, based upon the trademark owner's conduct *vis-a-vis* the defendant, and thus also do not speak to the wholesale loss of rights in the mark remarked upon by naked licensing jurisprudence. *See* note 7, *supra*. Oxxford has not made any showing which would sustain a subsection 1115(b)(3) defense to Exxon's action against it.

(E.D.Wis.1977). 15 U.S.C. § 1127, the definitional section of the Lanham Act, defines "abandonment" as follows:

> A mark shall be deemed to be "abandoned" if either of the following occurs:
>
> (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in the mark.
>
> (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

The definition of "abandonment" set forth in subpart (2) (formerly subpart (b)) is the specific statutory explication of unintentional abandonment, including abandonment due to naked licensing.[12] *Sweetheart Plastics*, 743 F.2d at

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[12] A number of courts have also cited to section 1055, often in tandem with section 1127, as statutory authority for the naked licensing defense. *Visa, U.S.A., Inc. v. Birmingham Trust Nat. Bank*, 696 F.2d 1371, 1377 n. 4 (Fed.Cir.1982), *cert. denied*, 464 U.S. 826, 104 S.Ct. 98, 78 L.Ed.2d 104 (1983); *Oberlin v. Marlin American Corp.*, 596 F.2d at 1327 n. 4; *Sterling Drug, Inc. v. Lincoln Laboratories, Inc.*, 322 F.2d 968, 972 (7th Cir.1963); *Dawn Donut*, 267 F.2d at 366-367; *Georgia Carpet Sales, Inc. v. SLS Corp.*, 789 F.Supp. 244, 246 (N.D.Ill.1992); *Ungar v. Dunkin' Donuts of*

1047-48; *United States Jaycees*, 639 F.2d at 139; *A.T. Cross Co.*, 470 F.2d at 693; *Heaton Distributing Co. v. Union Tank*

America, Inc., 68 F.R.D. 65, 116 (E.D.Pa.1975), *rev'd on other grounds*, 531 F.2d 1211 (3rd Cir.), *cert. denied*, 429 U.S. 823, 97 S.Ct. 74, 50 L.Ed.2d 84 (1976). This provision reads in pertinent part as follows:

> **§ 1055. Use by related companies affecting validity and registration**
>
> Where a registered mark . . . is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant . . . and such use shall not affect the validity of such mark or of its registration, *provided such mark is not used to deceive the public.* (Emphasis added).

The term "related companies" is defined in section 1127 as follows:

> The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.

See also Health Industries, 489 F.Supp. at 868 (equating quality control and mandate that public not be deceived). Section 1055 authorizes a trademark owner to license its mark "but only where the licensees of the service mark are related companies, i.e. where the owner of the service mark controls the licensees as to the nature and quality of the goods or services in connection with which the mark is used." *Reddy Communications v. Environmental Action*, 477 F.Supp. 936, 944 (D.D.C.1979) (citations omitted) (internal quotation marks omitted).

Section 1055 does not of itself establish a naked licensing defense. So far as here relevant, its effect is merely to reflect conditions under which certain conduct is not *per se* precluded from consideration, as supportive, to the extent that it may logically do so in a given setting, of a determination that there has been abandonment as defined in section 1127(2).

Car Co., 387 F.2d 477, 484 (8th Cir.1967); *Schieffelin & Co.*, 1992 WL 156560, *5; *Engineered Mechanical Services*, 584 F.Supp. at 1158.

The language of subsection 1127(2) reflects that to prove "abandonment" the alleged infringer must show that, due to acts or omissions of the trademark owner, the incontestable mark has lost "its significance as a mark." *See Defiance Button Mach. Co. v. C & C Metal Products*, 759 F.2d 1053, 1061-1062 (2d Cir.) (concluding that section 1127(2) was intended to apply only when the subject mark ceased to be an indicator of origin), *cert. denied*, 474 U.S. 844, 106 S.Ct. 131, 88 L.Ed.2d 108 (1985); *Wallpaper Mfrs., Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755, 766 n. 13 (C.C.P.A.1982) ("[f]rom the legislative history it is evident that abandonment under part (b) [subsection 1127(2)] was principally intended to encompass acts of omission or commission by the registrant which resulted in the mark becoming a generic term") (citation omitted). This statutory directive reflects the policy considerations which underlie the naked licensing defense: "[i]f a trademark owner allows licensees to depart from his quality standards, the public will be misled, and the trademark will cease to have utility as an informational device . . . [a] trademark owner who allows this to occur loses his right to use the mark." *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 387 (5th Cir.1977). Conversely, if a trademark has not ceased to function as an indicator of origin there is no reason to believe that the public will be misled; under these circumstances, neither the express declaration of Congress's intent in subsection 1127(2) nor the corollary policy considerations which underlie the doctrine of naked licensing warrant a finding

that the trademark owner has forfeited his rights in the mark.

Oxxford, pointing to recent precedent in this Circuit indicating that naked licensing results in an "involuntary trademark abandonment," posits that when a defendant proves that the trademark owner has licensed its mark without any quality control provisions the courts should *presume* a loss of significance. *See Moore Business Forms,* 960 F.2d at 489; *Taco Cabana International,* 932 F.2d at 1121. We disagree. Abandonment due to naked licensing is "involuntary" because, unlike abandonment through non-use, referred to in subsection 1127(1), an intent to abandon the mark is expressly not required to prove abandonment under subsection 1127(2). *See* 2 McCarthy, § 18:48; *Conagra, Inc. v. Singleton,* 743 F.2d 1508 (11th Cir.1984); *Engineered Mechanical Services,* 584 F.Supp. at 1158. In addition, a trademark owner's failure to pursue potential infringers does not in and of itself establish that the mark has lost its significance as an indicator of origin. *Babbit Elecs., Inc. v. Dynascan Corp.,* 38 F.3d 1161, 1180 (11th Cir.1994) (per curiam affirmance incorporating district court's memorandum opinion via appendix); *Sweetheart Plastics, Inc.,* 743 F.2d at 1047-1048; *Wallpaper Mfrs., Ltd.,* 680 F.2d at 761-766; *United States Jaycees v. Philadelphia Jaycees,* 639 F.2d at 139-140. Instead, such a dereliction on the part of the trademark owner is largely relevant only in regard to the "strength" of the mark; absent an ultimate showing of loss of trade significance, subsection 1127(2)(b) (and the incorporated doctrine of naked licensing) is not available as a defense against an infringement suit brought by that trademark owner. *See* 2 McCarthy, § 17:17. We, like the district court, would find

it wholly anomalous to *presume* a loss of trademark significance merely because Exxon, in the course of diligently *protecting* its mark, entered into agreements designed to preserve the distinctiveness and strength of that mark. We decline Oxxford's invitation to judicially manufacture a presumption of loss of trademark significance under the facts of this case given that had Exxon simply ignored the prior threats to its marks no such presumption would obtain.[13]

With the applicable legal standard clarified, we turn to the record before us. Exxon, commensurate with its burden under Rule 56, directed the district court's attention to Oxxford's failure to meaningfully address what is an essential component of its third-party naked licensing defense, *i.e.*, a loss of trademark significance in Exxon's mark(s). Even were we to construe Oxxford's pleadings

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[13] The alternative to the phase out agreements latent in Oxxford's argument is that Exxon either ignore or immediately and relentlessly litigate with all perceived infringers. Unless Exxon were able to perfunctorily obtain preliminary injunctions against these parties, one must wonder whether, given the delays which are part of conventional civil litigation between entrenched corporate opponents, any resultant consumer confusion might well be abated more rapidly than under the phase out agreements. We further observe that a number of treatises and cases either explicitly or implicitly recognize that such agreements are often an appropriate manner in which to resolve trademark disputes. *See, e.g.*, Siegrun D. Kane, *Trademark Law 200* (2d ed.1991); *Minnesota Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1244 (8th Cir.1994); *Home Shopping Network, Inc. v. Happy Mind, Inc.*, 931 F.2d 886, 1991 WL 68834 (4th Cir.1991) (unpublished disposition); *Oreck Corp. v. U.S. Floor Systems, Inc.*, 803 F.2d 166, 168 (5th Cir.1986), *cert. denied*, 481 U.S. 1069, 107 S.Ct. 2462, 95 L.Ed.2d 871 (1987).

to allege the unlikely proposition that Exxon's registered marks, due to these third-party phase out agreements, have lost their distinctiveness as indicators of origin, Oxxford has offered absolutely no evidence to substantiate such a claim. Accordingly, we affirm the district court's ruling because Oxxford has failed to adduce evidence sufficient to allow a reasonable factfinder to conclude that Exxon has abandoned its marks.

II. Tarnishment-Dilution Counterclaim

We turn next to the district court's dismissal of Oxxford's tarnishment-dilution counterclaim. Oxxford's counterclaim, like Exxon's remaining claim, seeks relief under section 16.29 of the Texas Business and Commerce Code:

> **§ 16.29. Injury to Business Reputation or Trade Name or Mark**
>
> A person may bring an action to enjoin an act likely to injure a business reputation or to dilute the distinctive quality of a mark registered under . . . Title 15, U.S.C. . . . regardless of whether there is competition between the parties or confusion as to the source of goods or services.

The Texas statute, like that of twenty-five other states, including California, Illinois, and New York, is based upon language contained in Section 12 of the 1964 United States Trademark Association Model State Trademark Bill. 3 McCarthy, § 24:80, P. 24-125. As one court has already noted, the Texas statute tracks in particular the language of the New York dilution statute, New York

Gen.Bus.L. § 368-d. *See Pebble Beach Co. v. Tour 18 I, Ltd.*, 942 F.Supp. 1513, 1563 n. 46 (S.D.Tex.1996). Accordingly, owing to the dearth of case law interpreting section 16.29, we remain mindful of the general law of dilution, that body of common principles which has evolved in those jurisdictions possessing statutes derived from the USTA's model bill, in construing the Texas statute.

Under section 16.29, a plaintiff may seek an injunction to remedy ongoing dilution of a protected trademark even if it is not in business competition with the defendant(s) and irrespective of the existence *vel non* of any likelihood of consumer confusion. The owner of a distinctive mark[14] may obtain relief under an anti-dilution

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[14] "It is clear that anti-dilution statutes . . . are designed to protect only strong, well-recognized marks." *Accuride International, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1539 (9th Cir.1989) (citations omitted). *See also Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39, 42 (2d Cir.1994) (to prevail on dilution claim under New York law "a plaintiff must prove, first, that its trademark either is of truly distinctive quality or has acquired secondary meaning") (citation omitted). Our disposition of this case renders unnecessary a consideration of Oxxford's contention that the district court erred in finding that "Oxxford" was not a distinctive mark. *See, however, Service Merchandise Co. v. Service Jewelry Stores, Inc.*, 737 F.Supp. 983 (S.D.Tex.1990) (applying Texas dilution statute court finds that existence of 226 registered service marks beginning with "service" and fact that 37 jewelers nationwide use "service" in their trade name does not render mark "Service Merchandise" weak). Nor do we have cause to discuss the district court's finding that Oxxford failed to make a "threshold showing of some mental association between the protected mark and the alleged diluter." *Fruit of the Loom, Inc. v. Girouard*, 994 F.2d 1359, 1363 (9th Cir.1993). *See also* 3 McCarthy, § 24:70; *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31 (1st Cir.) (association between L.L.Bean catalogue

statute if there is a "likelihood of dilution" due to 1) "blurring," a diminution in the uniqueness and individuality of the mark, or 2) "tarnishment," an injury resulting from another's use of the mark in a manner that tarnishes or appropriates the goodwill and reputation associated with the plaintiff's mark.[15] 3 McCarthy, §§ 24:67-69; *The*

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and "L.L. Beam's Back-to-School Sex Catalogue" tarnished former's business reputation), *cert. denied*, 483 U.S. 1013, 107 S.Ct. 3254, 97 L.Ed.2d 753 (1987); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir.1979) (movie "Debbie Does Dallas" found to tarnish business reputation of Dallas Cowboy Cheerleaders). Both *L.L. Bean* and *Dallas Cowboys Cheerleaders, Inc.* involved a situation in which the complaining party's "trademark is used without authorization in a context which diminishes the positive association of the mark." *L.L. Bean*, 811 F.2d at 31. There is no claim here that Exxon makes any use of Oxxford's trademark. Moreover, in these cases the offending party was attempting to benefit – albeit by way of parody – from the plaintiff's mark and its public recognition. Nothing of the kind is asserted here.

[15] Some courts have found a third manner in which "likelihood of dilution" may be proven under certain state statutes, namely an injury to the value of the mark caused by actual or potential consumer confusion. *See Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1489 (10th Cir.1987); *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 30 (1st Cir.), *cert. denied*, 483 U.S. 1013, 107 S.Ct. 3254, 97 L.Ed.2d 753 (1987). *See also Deere & Co.*, 41 F.3d at 44 ("[b]ut the blurring/tarnishment dichotomy does not necessarily represent the full range of uses that can dilute a mark under New York law") (citations omitted). The Texas statute we consider, while it expressly declares that consumer confusion is not a prerequisite to the cause of action it creates, does not clearly indicate whether a cause of action premised upon actual or potential consumer confusion alone falls under its aegis. *See* 3 McCarthy, § 24:70 (discussing differences between dilution and likelihood of confusion standard). Our resolution of this case does not require

Sports Authority, Inc. v. Prime Hospitality Corp., 89 F.3d 955, 965-966 (2d Cir.1996). Oxxford does not claim that Exxon's activities have "blurred" its "Oxxford" mark; rather, the only issue raised by Oxxford's pleadings and brief is a claim of dilution by tarnishment due to the purported link between the "Oxxford" mark and Exxon's alleged corporate reputation of greed and environmental destructiveness. *Pebble Beach Co.*, 942 F.Supp. at 1565-1567.

We consider first Oxxford's contention that the district court erred by finding its claim barred by laches.[16] Under Texas law the two elements of laches are "(1) unreasonable delay by one having legal or equitable rights in asserting them; and (2) a good faith change of position by another to his detriment because of the delay." *Rogers v. Ricane Enterprises, Inc.*, 772 S.W.2d 76, 80 (Tex.1989).[17] *See also Gulf, Colorado & Santa Fe Ry. Co. v.*

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us to answer this question, and thus we merely note it in passing.

[16] Exxon claims that the material facts relevant to laches are undisputed and therefore review is more properly conducted under an abuse of discretion standard. *National Ass'n of Gov't Employees v. City Pub. Serv. Bd.*, 40 F.3d 698, 707 (5th Cir.1994). Given the summary judgment context below, we review the record *de novo* to determine what facts material to the laches issue are not subject to genuine dispute; based on those facts, we review the district court's lache's [sic] ruling under an abuse of discretion standard. *Id.*

[17] Some Texas courts have also noted, albeit usually in the context of laches asserted within the statutory limitations period, that as a general rule laches is inappropriate when the controversy is one governed by a statute of limitations. *See, e.g., Stevens v. State Farm Fire & Cas. Co.*, 929 S.W.2d 665, 672

McBride, 159 Tex. 442, 322 S.W.2d 492, 500 (1958) (laches results from "an unreasonable delay which has worked injury to another person") (citations omitted). Because laches is an equitable doctrine, courts typically look at the interval between the time plaintiff obtained actual or constructive knowledge of the asserted invasion of its rights and the time suit was filed in determining whether a plaintiff's delay in bringing suit was unreasonable. *Armco, Inc. v. Armco Burglar Alarm Co.*, 693 F.2d 1155, 1161 (5th Cir.1982) (construing Texas law); *City of Houston v. Muse*, 788 S.W.2d 419, 422 (Tex.App. – Houston [1st Dist.] 1990).

Oxxford claims that its cause of action did not accrue until it suffered "reputational injury," in this case "at the moment that Exxon's reputation became unsavory enough to affect Oxxford." Oxxford, relying upon the affidavit of one of its corporate officers, contends that its cause of action did not accrue until the Exxon Valdez verdict and attendant public outcry in late 1994. Noting that it could not have sued Exxon under section 16.29

(Tex.App. – Texarkana 1996). Although not briefed by the parties, it seems probable that Texas' four year statute of limitations could apply in this case. Tex. Civ. Prac. & Rem.Code § 16.004; *First Nat. Bank of Eagle Pass v. Levine*, 721 S.W.2d 287 (Tex.1986). Texas courts have also held, however, that in actions like that Oxxford asserts here, seeking injunctive relief for ongoing harm to a trademark, the continuous tort doctrine halts the running of the statute of limitations. *Thompson v. Thompson Air Conditioning & Heating, Inc.*, 884 S.W.2d 555, 560-561 (Tex.App. – Texarkana 1994) (common law trade name infringement action not barred by statute of limitations). In such a circumstance, consideration of the equitable laches of doctrine is appropriate. *Id.*

prior to 1989, when the Texas statute was enacted, Oxxford concludes that Exxon's laches defense should fail because it cannot fix a date certain upon which Oxxford became aware of the existence of an actionable dilution claim.

The record reflects, without dispute, assertions by Oxxford executives as early as 1972 that the mark "Exxon" could possibly influence the distinctiveness and corollary goodwill of their "Oxxford" mark.[18] In addition, Oxxford's final pleadings relate actions of Exxon stretching back to 1973 in an attempt to establish its tarnishment cause of action, declaring that "[a]s early as 1973, the Exxon name stood for greed and dishonesty." The bulk of Oxxford's allegations dwell upon Exxon's activities in the late 1970s through the Exxon Valdez incident in 1989, only reaching the 1994 Valdez verdict by way of conclusion. Oxxford failed to bring its claim in the six years preceding this lawsuit, after the Texas cause of action became available. Moreover, Illinois, where Oxxford was headquartered in 1972 and still has its principal place of business, has had an anti-dilution statute since 1956. Ill. Stat. ch. 765, § 1035/15.

Under these uncontroverted facts, the district court did not abuse its discretion in concluding there had been an unreasonable delay in bringing suit, thus satisfying

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[18] Exxon contends, and Oxxford does not dispute, that Oxxford Clothes XX, Inc., is bound by the knowledge of its predecessor-in-interest, Oxford Clothes, Inc. *See* note 2, *supra; Vincent Murphy Chevrolet Co., Inc. v. United States*, 766 F.2d 449, 451 (10th Cir.1985); *Charvet S.A. v. Dominique France, Inc.*, 568 F.Supp. 470, 474 (S.D.N.Y.1983), *aff'd*, 736 F.2d 846 (2d Cir.1984).

the first prong of Texas' laches inquiry. Regarding the second prong of this test, the record is undisputed that Exxon, relying upon the federal registration of its marks and its strict policing of similar marks, accrued tremendous investment costs and resultant goodwill in the challenged marks while Oxxford remained quiescent. Given this record, we affirm the ruling of the district court that Oxxford's claim is barred by laches.

We further observe that even were Oxxford's claim not barred by laches, it would plainly be an exercise in futility to remand the counterclaim, because Oxxford's pleadings do not state a cause of action under Texas' dilution statute.[19] Oxxford observes in its brief to this Court that it has long "enjoyed an outstanding reputation as a hand-made men's suit manufacturer" and "in the American apparel market, Oxxford has remained . . . the epitome of quality in U.S.-made men's business clothing." Oxxford's brief goes on to state that "[t]he essence of Oxxford's counterclaim is that . . . Exxon's destruction of the environment and other corrupt business practices have lowered its esteem in the public's eye to the point that its reputation, coupled with the association of its

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[19] It is well-established that this Court may affirm a summary judgment on any grounds supporting such a ruling which are manifest in the record. *Rizzo v. Children's World Learning Centers, Inc.*, 84 F.3d 758, 762 (5th Cir.1996). This includes grounds which have been rejected or not addressed by the district court. *Kiser v. Garrett*, 67 F.3d 1166 (5th Cir.1995). Although Exxon did not file a motion to dismiss Oxxford's counterclaim under Fed. R. Civ. Proc. 12(b)(6), the insufficiency of the anti-dilution claim was broached in Exxon's summary judgment pleadings, was explicitly renewed in its brief to this Court, and involves only a question of law.

mark with Oxxford's, is tarnishing the reputation of Oxxford." The Texas statute, however, affords a plaintiff a remedy only for those "acts" which threaten dilution of a valid trademark.[20] We must perforce consider which "acts" give rise to a colorable dilution by tarnishment claim under the Texas statute. *See* 3 McCarthy, §§ 24:104-107 (discussing different modes of tarnishment, including parody and competitive advertising, and listing cases); *Hormel Foods Corp. v. Jim Henson Productions, Inc.*, 73 [sic] F.3d 497, 507 (2d Cir.1996) (same); *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 777 (8th Cir.1994) (same); *Jordache Enterprises, Inc.*, 828 F.2d at 1490 (same).

Oxxford seeks, through the vehicle of section 16.29 and a flimsy, attenuated assertion that there is an ease of

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[20] The Texas statute, like the model bill, states that in addition to enjoining trademark dilution a plaintiff may enjoin acts likely to injure business reputation. It is unclear whether this language creates a separate cause of action or merely expresses the "tarnishment" prong of the typical dilution cause of action. "While the statute speaks in terms of protecting against two distinct harms – injury to business reputation and dilution of a mark's distinctive quality – the first harm has consistently been deemed subsumed into the second." *Plasticolor Molded Products v. Ford Motor Co.*, 713 F.Supp. 1329, 1342 (C.D.Cal.1989) (citation omitted), *vacated on other grounds*, 767 F.Supp. 1036 (C.D.Cal.1991). *See Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 42 N.Y.2d 538, 399 N.Y.S.2d 628, 369 N.E.2d 1162 (1977). Texas already recognizes a common law cause of action for business disparagement, the elements of which are publication of disparaging words, falsity, malice, lack of privilege, and special damages. *Hurlbut v. Gulf Atlantic Life Ins. Co.*, 749 S.W.2d 762, 766 (Tex.1987) (citations omitted). Obviously, no such cause of action is asserted, or even sought to be asserted, here.

association between the marks "Oxxford" and "Exxon," to hold Exxon responsible for all activities and events within the last twenty-five years falling under its corporate aegis and resulting in general negative publicity for the corporation. Such an approach ignores the distinction between the use of the appellation "Exxon" as a device of corporate identity and its use as a *trade* name or *trademark, i.e.*, as an indicator of origin and/or quality of particular goods and services. The "acts" which comprise the basis of Oxxford's claim, such as the Exxon Valdez spill and resulting jury verdict, bear no relationship to the quality or reputation of the products sold or services provided under cover of Exxon's marks (or to the quality or reputation of products sold or services provided under Oxxford's marks).

What Oxxford seeks by its counterclaim is to enjoin Exxon from using Exxon's registered marks. Section 16.29 is, at least in most respects, a garden variety dilution statute, and we have uncovered no authority even suggesting that a dilution by tarnishment claim brought under such a statute which seeks to *enjoin* the defendant's *use of its mark* can be premised upon matters wholly unrelated to the defendant's use of the allegedly diluting mark *as a trademark* (or to any use of or attempt to benefit from plaintiff's trademark).[21] Under Oxxford's theory,

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[21] Oxxford relies upon several cases in which courts have found that uses of a similar mark which undermine the quality assurance of the plaintiff's mark can result in tarnishment. *See Tiffany & Co. v. Boston Club, Inc.*, 231 F.Supp. 836, 844 (D.Mass.1964); *Steinway & Sons v. Robert Demars & Friends*, 210 U.S.P.Q. 954, 964 (C.D.Cal.1981). In *Tiffany & Co.*, a New York retail store of that name brought an infringement and dilution

rights in an otherwise established, valid, and registered trademark which continue to nonconfusingly reflect to the public the origin and quality of the goods in connection with which it is used, may be lost merely because the mark's owner has incurred a bad public reputation in respect to matters unrelated to the quality of its products. In fine, the trademark owner has a property right in his mark, but only so long as he personally is not unpopular with the general public. We reject this highly unorthodox view of trademark law. Therefore, even if we assume *arguendo* that Oxxford is a sufficiently strong mark to warrant protection under the Texas statute and that "Exxon" and "Oxxford" are similar enough to allow the public to make some attenuated subliminal association between the products and services offered under the two marks, we nonetheless conclude that Oxxford's allegations, because they do not assert that some manner of deficiency or unsavoriness inures to the products or services sold under Exxon's registered marks or that Exxon has infringed or attempted to benefit from Oxxford's marks, do not state a cause of action under Tex.Bus. & Comm.Code § 16.29.

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claim against a Boston Corporation which was using "Tiffany" in the name of its restaurant and lounge. In *Steinway & Sons*, the owners of the prestigious Steinway (piano) mark claimed that the maker of the "Stein-way clip-on beer handles" was diluting their mark. Both of these cases concern the negative associations which developed out of the defendant's use of trademarks similar to those of the plaintiff on products which were markedly less ornate, sophisticated, or elegant than the plaintiff's products. These cases, which involve the *defendant's use of an allegedly similar mark on its products in commerce*, merely reiterate the proposition we propound above.

The district court did not err in dismissing Oxxford's counterclaim.[22]

Conclusion

The district court did not err by rejecting Oxxford's defenses or by dismissing Oxxford's counterclaim, and those rulings are AFFIRMED.

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[22] We need not reach Exxon's contentions that Oxxford's asserted cause of action necessitates a retroactive application of the anti-dilution statute contrary to the legislature's intent and is in any case forbidden by the Texas and federal constitutions.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

EXXON CORPORATION, Plaintiff, v. OXXFORD CLOTHES, INC. and OXXFORD CLOTHES XX, INC., Defendants.	§ § § § § § § § § §	CIVIL ACTION NO. H-94-3528 (Filed Mar. 18, 1996)

MEMORANDUM OPINION AND ORDER

Before the Court are several motions relating to this trademark action. In Plaintiff's Second Amended Complaint, Exxon claims Defendants' logotype dilutes Exxon's Interlocking X trademark. Defendants counterclaimed, alleging that Oxxford's mark was tarnished when Exxon encountered negative publicity following the Exxon Valdez oil spill. After reviewing the Motions, the responses, the remainder of the record and the applicable law, the Court rules as follows.

I. Motions Germane to Exxon's Claim

Exxon's Motion for Entry of Agreed Protective Order (Dkt. #58): MOOT

Exxon filed its Motion for Entry of Agreed Protective Order (Dkt. #58) after the Court had already entered the identical protective order (Dkt. #56). Because Exxon makes a request for an action that has already occurred,

Exxon's Motion for Entry (Dkt. #58) is MOOT and the Clerk shall remove the Motion from the pending motions list.

Exxon's Motion for Summary Judgment on Oxxford's Affirmative Defenses (Dkt. #66)

Naked Licensing: GRANTED (Dkts. #66, 69, 73, 75, 80, 82)

Both Exxon's Motion for Summary Judgment on Oxxford's Affirmative Defenses (Dkt. #66) and Oxxford's Motion for Summary Judgment (Dkt. #69) address the issue of naked licensing. The parties dispute whether Exxon's agreements with third parties to phase out infringing or diluting marks (the "phase out agreements") constitute "naked licenses" for the purposes of abandonment. Because the Court is of the opinion that the phase out agreements are not licenses, Oxxford's Motion for Summary Judgment on Naked Licensing (Dkt. #69) should be DENIED and Exxon's Motion for Summary Judgment on Oxxford's Affirmative Defense of Naked Licensing (Dkt. #66) should be GRANTED.

From the mid-1970's until the present, Exxon has prevented the dilution of its Interlocking X logotype by negotiating with companies that have used the Interlocking X as their own mark. Rather than face lengthy and expensive litigation, many of these companies capitulated and entered into agreements with Exxon. *See* Dkt. #69, Ex. A-L. Each agreement ended the company's use of the Interlocking X and allowed the company time to "phase out" its use. The phase outs allowed the diluter/infringer

time to develop a new logotype and to exhaust the stationary, advertisements and other products bearing the diluting mark. Exxon admits it did not attempt to control the quality of the goods produced by the diluting companies. Oxxford claims (1) that the phase outs are "licenses" and (2) because Exxon did not use the phase out agreements to control the quality of goods bearing the Interlocking X, that Exxon forfeits its ownership of the Interlocking X design through naked licensing.

A trademark owner may grant a license and remain protected provided it maintains control over the quality of the goods and services sold under the mark. *Moore Business Forms v. Ryu*, 960 F.2d 486, 489 (5th Cir. 1992) (citing *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113 (5th Cir. 1991), *aff'd* 565 U.S. 763, 112 S. Ct. 964 (1992)). "Naked (or uncontrolled) licensing of a mark occurs when a licensor allows a licensee to use the mark on any quality or type of good the licensee chooses." *Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867, 871 (10th Cir. 1995) (citing 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION § 18.15 at 69 (3d ed. 1992)). Without exercising control over the licensee, a court may find that the trademark owner has abandoned the mark, in which case it would be estopped from asserting rights to the trademark. *AmCan Enter., Inc. v. Renzi*, 32 F.3d 233, 235 (7th Cir. 1994); *Moore Business Forms*, 960 F.2d at 486 (citing *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368 (5th Cir. 1977); *Sheila's Shine Prod., Inc. v. Sheila Shine, Inc.*, 486 F.2d 114 (5th Cir. 1973)). "The rationale for this requirement is that marks are treated by purchasers as an indication that the trademark is associated with the product. Customers rely upon the owner's

reputation when they select the trademarked goods. If the trademark owner allows licenses to depart from its quality standards, the public will be misled, and the trademark will cease to have utility as an informational device. A trademark owner who allows this to occur loses its right to use the mark." *Kentucky Fried Chicken*, 549 F.2d at 387. *See Gorenstein Enter. v. Quality Care-USA*, 874 F.2d 431, 435 (7th Cir. 1989) (Posner, J.). A party arguing in favor of naked licensing faces a stringent standard of proof, because a naked license signals involuntary trademark abandonment and works as a forfeiture. *Stanfield*, 52 F.3d at 871 (10th Cir. 1995); *Moore Business Forms*, 960 F.2d at 489; *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1516 (11th Cir. 1984). Of course, for summary judgment purposes, Oxxford need only show there are genuine issues of material fact. *See Nat. Ass'n of Gov't Employees v. Public Serv. Bd. of San Antonio*, 40 F.3d 698, 712 (5th Cir. 1994) (citing *Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S. Ct. 2548 (1986)).

Oxxford's naked licensing defense must fail because Exxon's phase out agreements are not licenses. First, through a licensing agreement the owner of a trademark grants a licensee (typically a franchisee) the use of *that mark*. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 33 & cmt. a (1995). In this case, there is no evidence that Exxon ever permitted other corporations to use the word Exxon or any of Exxon's other marks. To the contrary, Exxon has used its phase out agreements to stop other companies from using the Interlocking X design. Because the phase out agreements are used by Exxon to protect (rather than dilute) the distinctiveness of its trademarks, the phase outs cannot be considered licenses for determining

whether Exxon has *abandoned* those marks. Second, it is well established that "permitted infringement on the mark holder's exclusive rights for some period of time does not constitute nonuse of the mark sufficient to support an abandonment." *Conagra*, 743 F.2d at 1516 (citing *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 139 (3rd Cir. 1981)). *See Babbit Elec., Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1180 (11th Cir. 1994) (per curiam) ("the existence of third party infringers . . . does not constitute an abandonment of a mark where the trademark owner does not consent to the use of the mark by these other, but rather vigorously pursues these third party infringers."). Rather than allowing companies to infringe upon or dilute its mark (which, by itself, would not constitute an abandonment), Exxon established a vigorous program of enforcement that includes the use of phase out agreements. It would be anomalous for the Court to find facts supporting abandonment because Exxon has a strong enforcement program. *See American Foods, Inc. v. Golden Flake, Inc.*, 312 F.2d 619, 624 (5th Cir. 1963) (mark owner's settlement of disputes with potential infringers did not constitute licensing, but were "reasonable efforts to protect its mark.").

The cases cited by Oxxford XX do not support Oxxford's position that the phase out agreements are licenses for the purposes of abandonment. In *Moore Business Forms*, 960 F.2d at 489, the Fifth Circuit upheld a district court's ruling that an oral agreement between the owner of the trademark "Compurite," allowing a California corporation to call itself "Compu-Rite" was *not* a naked license, even though the mark owner never had control over the quality of the California corporation's

products. The district court found the informal arrangement to be a "consent-to-use," not a naked license. In *Kentucky Fried Chicken*, the Fifth Circuit held that separate ownership of a mark in different states did *not* constitute licenses, because "concurrent ownership of marks in separate geographical territories is clearly permissible":

> We also find unpersuasive Container's contention based on Kentucky Fried's lack of any control at all over Kentucky Fried Chicken outlets in the other three states. Kentucky Fried does not own the marks there . . . The trademark owners in those three states are not Kentucky Fried's licensees, as Container erroneously contends, but rather concurrent owners.

Kentucky Fried Chicken, 549 F.2d at 387. Oxxford's reliance on *Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867, 871 (10th Cir. 1995), is misplaced because the *Stanfield* court addressed agreements allowing other corporations to use the *plaintiff's* mark without any exercise of control over quality. By contrast, Exxon's phase outs operate to *prevent* other companies from using its Interlocking X design.

Finally, sound policy supports the use of phase out agreements. As the Court described earlier, licensors and licensees *voluntarily* enter into agreements to sell products bearing a trademark owned by the licensor. In such willing arrangements, it would be appropriate to expect the licensor to exercise control over the licensee to prevent customer confusion about the quality of the goods bearing the trademark. Exxon's phase outs are a different breed of agreement. The phase outs are not part and parcel of a joint venture between two corporations that seek to exploit the use of the licensor's trademark.

Instead, the trademark diluter reaches an agreement with Exxon to avoid the expense and time associated with trademark litigation. In other words, those who dilute the distinctiveness of a mark like Exxon's Interlocking X design have no desire to be associated with Exxon's products. Therefore, the diluters would have little interest in having the quality of their products controlled (even ostensibly) by Exxon. Trademark infringers might balk at such an arrangement, limiting the usefulness of the phase out agreements.

For these reasons, Oxxford's Motion for Summary Judgment on its Affirmative Defense of Naked Licensing (Dkt. #69) should be DENIED and Exxon's Motion for Summary Judgment on Oxxford's Affirmative Defense of Naked Licensing (Dkt. #66) should be GRANTED.

Misuse of Trademark: GRANTED

As another affirmative defense to Exxon's dilution claim, Oxxford alleges that Exxon "leveraged the [Interlocking-X] mark to gain greater trademark rights by eliminating third party marks whose continued use might negatively impact the distinctiveness of Exxon's mark." This argument is meritless. First, although the antitrust defense of misuse clearly applies in cases of *patent* infringement, there is some question whether the defense is viable for other forms of intellectual property. *See Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 135-40, 89 S. Ct. 1562, 1582-86 (1969) (patentee "may not condition the right to use his patent on the licensee's agreement to purchase, use, or sell . . . another article of commerce not within the scope of the patent monopoly.");

Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488, 1498 (5th Cir. 1990) (acknowledging viability of misuse defense to patent infringement claim). Three district court cases in the Fifth Circuit discuss misuse as an antitrust defense to a trademark infringement claim, but the youngest case is almost twenty years old, and the Court has been unable to unearth a more recent opinion. *See Rolls Royce, Ltd. v. A & A Fiberglass, Inc.*, 428 F. Supp. 689, 697 (N.D. Ga. 1976) (rejecting antitrust defense to trademark infringement); *Coca-Coca* [sic] *Co. v. Howard Johnson Co.*, 386 F. Supp. 330, 334 (N.D. Ga. 1974) (rejecting antitrust violation as defense to trademark infringement for fear it would convert courts into "a battleground for extensive antitrust litigation whenever a trademark holder seeks any, totally unrelated, equitable relief."); *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 360 F. Supp. 459, 465 (N.D. Tex. 1973) (searching in vain for tying arrangement). The misuse defense has had difficulty being established in trademark cases because, unlike patents, "the forces favoring exercise of [the misuse defense] in a trademark suit are much weaker than those calling for its exercise in patent litigation . . . the opportunity for effective antitrust misuse of a trademark . . . is so limited that it poses a far less serious threat to the economic health to the nation." *Carl Zeiss Stiftung v. VEB Carl Zeiss Jena*, 298 F. Supp. 1309, 1314 (S.D.N.Y. 1969). *See Helene Curtis Indus. v. Church & Dwight Co.*, 560 F.2d 1325, 1336 (7th Cir. 1977), *cert. denied*, 434 U.S. 1070, 98 S. Ct. 1252 (1978) (finding no case where misuse has been a successful defense in a trademark action). Therefore, there is some question whether the antitrust defense of misuse even applies to Exxon's dilution claim.

Even assuming the defense applies here, Oxxford's claim of misuse must fail because Oxxford presents no facts to support its defense. *See Bio-Rad Lab v. Nicolet Instrument Corp.*, 739 F.2d 604, 617 (Fed. Cir.), 469 U.S. 1038, 105 S. Ct. 516 (1984) (misuse an affirmative defense that must be pleaded and proved in patent law cases). First, Oxxford presents no evidence that Exxon used the phase out agreements against third parties as leverage to gain greater rights than Exxon was entitled to under its valid trademark. The record indicates that Exxon had legitimate concerns that the logotypes of other companies threatened to dilute Exxon's Interlocking X design. *See Taquino v. Teledyne Monarch Rubber*, 893 F.2d at 1498 (finding no evidence of intent to monopolize through patent suits brought in good faith); *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250, 1257 & n.17 (9th Cir. 1982) (noting Court "found no case directly supporting the proposition that the bringing of meritorious suits can constitute sham suits violative of the antitrust laws."). More importantly, there is no evidence that Exxon used the phase out agreements to coerce companies into using Exxon products. For example, Exxon has not prevented Oxxford from making clothing, or, for that matter, from entering the petroleum refining industry. *See Triad Sys. Corp. v. Southeastern Express Co.*, 64 F.3d 1330, 1337 (9th Cir. 1995) (noting copyright owner did not attempt to prevent defendant from competing with owner). By enforcing its right to the Interlocking X logotype, it appears that Exxon seeks only to prohibit Oxxford from diluting Exxon's design. *See Windsurfing Intern., Inc. v. AMF, Inc.*, 782 F.2d 995, 101 (Fed. Cir. 1986), *cert. denied*, 477 U.S. 905, 106 S. Ct. 3275 (1986) ("we have been cited to no authority, and

are aware of none, for the proposition that patent misuse may be found on the bases of a patent license agreement provision recognizing and forbidding use of the licensor's validly registered trademarks."). Considering the limited scope of Exxon's suit against Oxxford, the Court cannot conclude that Exxon's effort to enforce its rights under the trademark laws constitutes a violation of the antitrust laws.

Finally, the defense of antitrust misuse, if it applies, is a defense of unclean hands. *See Coca-Coca* [sic] *Co.*, 386 F. Supp. at 334; *Boston Professional Hockey Ass'n*, 360 F. Supp. at 465. As such, Exxon's alleged wrongdoing "[will] not bar relief unless the defendant can show that it has personally been injured by the plaintiff's conduct." *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852, 863 (5th Cir. 1979) (citation omitted), *cert. denied*, 445 U.S. 917, 100 S. Ct. 1277 (1980); *accord United States v. Buttorff*, 761 F.2d 1056, 1064 (5th Cir. 1985). Because Oxxford presents no evidence that Exxon's actions against third parties have affected Oxxford, Oxxford may not rely upon Exxon's phase out agreements with third parties in support of its misuse defense. Further, besides the present action, Oxxford presents no evidence that Exxon has taken any action that threatens injury to Oxxford. Therefore, summary judgment must be GRANTED as to Oxxford's affirmative defense of trademark misuse (Dkt. #66).

Third Party Use/Failure to Sue Third Parties: GRANTED (Dkts. #66, 75, 80, 82)

As the Court discussed earlier, Oxxford cannot claim that Exxon abandoned its mark because of its failure to sue third parties. *See Babbit Elec.*, 38 F.3d at 1180 ("the existence of third party infringers . . . does not constitute an abandonment of a mark where the trademark owner does not consent to the use of the mark by these other but rather, vigorously pursues these third party infringers."); *Conagra*, 743 F.2d at 1516 (citing *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 139 (3rd Cir. 1981)) ("permitted infringement on the mark holder's exclusive rights for some period of time does not constitute nonuse of the mark sufficient to support an abandonment."). Further, "[t]here is some question as to whether a failure to prosecute other infringers constitutes a defense [to trademark infringement]; the existence of other infringers seems irrelevant as to the defendants' wrong-doing." *Engineered Mechanical Serv., Inc. v. Applied Mech. Technology, Inc.*, 584 F. Supp. 1149, 1159 (M.D. La. 1984) (citing *United States Jaycees v. San Francisco Junior Chamber of Commerce*, 354 F. Supp. 61 (N.D. Cal. 1972), *aff'd*, 513 F.2d 1226 (9th Cir. 1975)). To be sure, a failure to sue parties using an infringing mark may ultimately lead to the dilution of that mark, as McCarthy explained:

> A trademark owner's failure to enforce his rights against infringers may amount to an abandonment, since when many make use of a similar mark, its function as a symbol of origin in one person is lost. Failure to take reasonable steps to prevent use of the mark by others will gradually dilute the distinctiveness of the mark

> such that it no longer signifies only one source or one level of quality. Failure to prosecute many infringers may at least result in the mark becoming 'weak' and entitled to only a narrow scope of protection. Where infringements exist, and the mark owner has been reasonably diligent in preserving his rights, no intent to abandon will be inferred.
>
> A long delay in instituting suit against a defendant, which causes prejudice, may constitute a defense of laches or acquiescence. However, laches is not the same as abandonment. Laches or acquiescence is a defense of one person, while abandonment is a loss of rights as against the whole world.

Engineered Mechanical Serv., 584 F. Supp. at 1159 (quoting 1, J. McCarthy, Trademarks and Unfair Competition, § 17:5, at 596-97 (1973) (footnotes omitted)). In other words, Exxon's failure to sue third parties is not an *affirmative* defense, but Oxxford may present evidence to show that Exxon's mark does not warrant protection because third party use has resulted in the dilution of the Interlocking X. *See, e.g., Amstar Corp. v. Dominos Pizza, Inc.*, 615 F.2d 252, 259 (5th Cir. 1979), *cert. denied*, 449 U.S. 899, 101 S. Ct. 268 (1980) (72 third party registrations of "Domino" made Domino mark weak, not invalid, for purposes of trademark infringement action).[1]

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[1] The other cases cited by Oxxford are not to the contrary. In *Sieilada R. Biebaw & Co. v. Cox*, 732 F.2d 417, 425 n.3 (5th Cir. 1984), the Court of Appeals found error in a district court decision that the design of a lime juice bottle was functional and not distinctive. In *Mead Data Central*, 875 F.2d at 1030, the Court found Toyota's "Lexus" trade name did not dilute Mead's

Even assuming the existence of an affirmative defense, Oxxford has presented no evidence that Exxon has not sued third parties. Oxxford relies mostly upon the earlier-described phase out agreements. Again, Oxxford cannot use the phase out agreements as evidence that Exxon has abandoned its mark, for the agreements had the opposite result of ending third parties from using the Interlocking X design. Oxxford also argues that Exxon allowed the dilution of its mark when it allowed other companies to use two side-by-side X's in their marks. This argument is a nonsequitur. Exxon has never argued

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"Lexis" mark. Contrary to Oxxford's argument, *Astra Pharmaceutical Prod., Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 1209-10 (1st Cir. 1983), did *not* hold that third party dilution destroyed the distinctiveness of plaintiff's mark; *Astra* held only that medical equipment bearing the same name and sold to sophisticated purchasers were not "likely" to be confused under the Massachusetts anti-dilution statute. Similarly, the Fifth Circuit held in *Holiday Inns, Inc. v. Holiday Out in America*, 481 F.2d 445, 450 (5th Cir. 1973), that dilution was not applicable when the trial court determined that the marks in question were not confusing.

Oxxford also directs the Court to numerous marks that have been the object of Exxon's enforcement program. Oxxford claims the marks prove that Exxon's Interlocking X is so diluted that it cannot warrant protection. These marks, however, do not raise genuine issues of material fact as to abandonment via third party use (even assuming Exxon could abandon its mark by failing to sue third parties), for Exxon did not ignore the existence of those marks. To the contrary, Exxon aggressively pursued those corporations, and most have ended the use of the Interlocking X design because of Exxon's enforcement program. Oxxford's argument that Nexxus, T.J. Maxx and Dos Equis dilute Exxon's mark is questionable at best, since none of the three companies use Exxon's Interlocking X design.

that Oxxford's mark dilutes Exxon's mark because they both contain two X's. Rather, Exxon claims Oxxford's mark threatens to dilute Exxon's mark because they share an *Interlocking* X design.

For these reasons, the Court is of the opinion that Exxon's Motion for Summary Judgment on the Affirmative Defense of Third Party Use (Dkt. #66) should be GRANTED and that Oxxford's Cross-Motion for Summary Judgment on Third Party Use (Dkt. #75) should be DENIED.

Acquiescence/Waiver/Estoppel: GRANTED (Dkt. #66, 75, 80, 82)

It its Motion opposing summary judgment, Oxxford argues its defense of abandonment together with its affirmative defense of acquiescence. Exxon correctly notes that the abandonment defense should have been argued separately from the acquiescence claim. Therefore, the Court must address Oxxford's claim of acquiescence separately.

"[A]cquiescence involves the plaintiff's implicit or explicit assurances to the defendant which induce reliance by the defendant." *Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 153 (5th Cir. 1985) (citations omitted) (upholding jury finding of acquiescence when mark owner waited five years before prosecuting infringer). *Compare with Mead Johnson Co. v. Baby's Formula Serv., Inc.*, 402 F.2d 19, 22 (5th Cir. 1968) (trial court erred in finding plaintiff acquiesced to defendant's six years of infringing use, when only four months separated plaintiff's learning of infringement and filing suit against

defendant). Because acquiescence is an affirmative defense, "the defendant must prove how it will be prejudiced by the plaintiff's unreasonable delay and implicit or explicit assurances." *Conan Properties*, 752 F.2d at 153. Acquiescence is also a personal defense that requires Exxon to have made representations to Oxxford upon which Oxxford relied. *See Conan Properties*, 752 F.2d at 152 n.3 (jury instruction required defendant to prove plaintiff had knowledge and no objection to *defendant's* use of the mark); *American Auto Ass'n, Inc. v. AAA Ins. Agency, Inc.*, 618 F. Supp. 787, 796 (W.D. Tex. 1985) (citations omitted) ("The defense of acquiescence . . . is predicated upon a plaintiff's *affirmative conduct* indicating active consent to the defendant's actions or intentional abandonment of a right."); *Houston Sports Ass'n, Inc. v. Astro-Card Co., Inc.*, 520 F. Supp. 1178, 1182 (S.D. Tex. 1981) (no estoppel in trademark action where plaintiff engages in "no conduct, other than silence, that might have affirmatively misled the defendant into believing that the plaintiff has abandoned its rights. Silence, without more, is insufficient to support the defense of estoppel.").

In this case, Oxxford presents no evidence that Exxon gave affirmative consent (either express or implied) to Oxxford's use of the Interlocking X Design. Oxxford began using the Interlocking X design in 1994, the same year Exxon initiated this action. Oxxford never asked Exxon's permission before using the Interlocking X, and Exxon never gave it. *See American Auto Ass'n*, 618 F. Supp. at 796 ("Defendant, however, has failed to show any evidence of Plaintiff's affirmative consent to Defendant's use of [the trademark]. On the contrary, the evidence establishes that Plaintiff objected from the outset to

Defendant's use of [the mark], and that Defendant continued its use of that name despite Plaintiff's objection."). Further, even assuming an acquiescence defense can be grounded upon Exxon's actions with respect to third parties, Oxxford presents no evidence that it relied on such actions when Oxxford began using the Interlocking X. Considering "acquiescence constitutes a defense only upon a finding of conduct on the Plaintiff's part that amounted to an assurance to the Defendant . . . that the Plaintiff would not assert his trademark rights against the Defendant," Oxxford's acquiescence defense must fail. *Exxon Corp. v. Humble Exploration Co., Inc.*, 524 F. Supp. 450, 467 (N.D. Tex. 1981) (citing *Carl Zeiss Stiftung*, 293 F. Supp. at 892), *modified on other grounds*, 695 F.2d 96 (5th Cir. 1983).

For these reasons, Exxon's Motion for Summary Judgment on Oxxford's Affirmative Defense of Acquiescence (Dkt. #66) should be GRANTED.

II. Motions Germane to Oxxford, XX's Counterclaim

Exxon's Motion for Summary Judgment as to Counts One and Two of Oxxford's Counterclaim (Dkts. #77, 81): GRANTED.

Oxxford presents a creative argument that the Exxon Valdez oil spill tarnished Oxxford's distinctive trademark. For several reasons, Oxxford's Motion for Summary Judgment as to Exxon's Laches Defense (Dkt. #81) should be DENIED and Exxon's Motion for Summary Judgment on Counts One and Two of Oxxford's Counterclaim (Dkt. #77) should be GRANTED.

Texas' anti-dilution statute became effective in 1989. It provides:

> A person may bring an action to enjoin an act likely to injure a business reputation or to dilute the distinctive quality of a mark registered under this Chapter, or Title 15, U.S.C., or a mark or trade name valid at common law, regardless of whether there is competition between the parties or confusion as to the source of the goods or services.

TEX. BUS. & COM. CODE ANN. § 16.29 (West. Supp. 1996). Because the statute is relatively new, Texas courts have yet to define the border between tarnishment and the legitimate uses of a trade name. Wherever Texas courts choose to draw the line, the Court is confident that the Texas legislature did not envision enjoining a company from exploiting a mark it has used without objection for more than twenty-five years. Further, both parties to this litigation cite to cases of other jurisdictions (most notably New York) that have similar statutes.[2] Because of the similarities among these statutes and the relatively well-developed law of dilution, the Court is comfortable citing cases that interpret the anti-dilution laws of other jurisdictions.

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[2] "Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." N.Y.GEN. BUS. LAW § 368-d (McKinney 1984).

"There are three grounds under which an owner of a *distinctive* trademark may obtain relief under an anti-dilution statute. Relief may be granted if there is a likelihood of dilution due to (1) injury to the value of the mark caused by actual or potential confusion, (2) diminution in the uniqueness and individuality of the mark, or (3) injury resulting from use of the mark in a manner that tarnishes or appropriates the goodwill or reputation associated with plaintiff's mark." *Jordache Enter., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1489 (10th Cir. 1987) (emphasis added). *See also Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989). Before Oxxford may proceed with its tarnishment action, it must show that its mark is *distinctive*. *Deere & Co. v. MTD Prod., Inc.*, 41 F.3d 39 (2nd Cir. 1994) ("To prevail on a . . . dilution claim, a plaintiff must prove . . . that its trademark either is of truly distinctive quality or has acquired secondary meaning, and second, that there is a likelihood of dilution.") (interpreting New York anti-dilution statute); *Mead Data Cent.*, 875 F.2d at 1030 ("[P]laintiff's mark must possess a distinctive quality capable of dilution."); *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 30 (1st Cir. 1987), *cert. denied*, 483 U.S. 1013, 107 S. Ct. 3254 (1987) (to recover under Maine antidilution statute, mark owner must show "his mark is distinctive and there is a likelihood of dilution due to . . . injury resulting from the use of the mark in a manner that tarnishes or appropriates the goodwill and reputation associated with plaintiff's mark."). Without a distinctive mark, there would be nothing for an infringing party to tarnish, because consumers would not "likely" associate a non-distinctive mark with a particular product. "The law of trademark dilution aims

to protect the distinctive quality of a trademark from deterioration caused by its use on dissimilar products. The dilution injury 'is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on non-competing goods.' " *L.L. Bean*, 811 F.2d at 30 (quoting Schecter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927)). However, if the mark has already been whittled away by years of dilution by other companies, there will be no trademark rights for the Court to protect.

Oxxford's tarnishment claim must fail because Oxxford's evidence reveals that "Oxxford" is not a distinctive mark. In its motion opposing summary judgment, Oxxford presents the testimony of an expert witness, an associate professor of linguistics, to support Oxxford's claim that consumers can confuse the words "Exxon" and "Oxxford." The expert notes that both marks contain two X's surrounded by other letters, and that a vowel comes before each set of double X's. Based upon these undeniable and unremarkable facts, the expert concludes that consumers can confuse the words Exxon and Oxxford.[3] In the same motion, however, Oxxford undermines its tarnishment claim by destroying the possibility that "Oxxford" is a distinctive mark. In its motion, Oxxford presents twenty-five other trademarks that contain double X's, many of which contain vowels preceding the

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[3] The expert apparently conducted no studies or surveys in support of his hypothesis that these two words are confusing. *See Jordache Enter., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1487 (10th Cir. 1987) ("Obviously, the best evidence of a likelihood of confusion in the marketplace is actual confusion.").

double X: Axxell, Banana Maxx, Dixxie, Dynam-Maxx, Fibexx, Flexxestone, Intexx, Luxxo, Luxxus, Maxxam, Maxxi-tread, Maxxon, Maxxum, Minxxel, Nexxus, Oxxo, Pathtraxx, Theoxx, Toxxic, Xxerxe, XxLube, Xxtraspecial, Xxus, Xymex, and Waxx-on. *See* Dkt. #81, at 9-10; Dkt. #75, at 14-16 (Arrid XX, Dos Equis XX, Exxcell, Exxact, Exxotic, Exxtra, Foxx, The Maxx, Red Stixx, Struxxite, T.J. Maxx, Xxpressive). Oxxford has never objected to the use of any of these marks, nor does it explain how "Oxxford" can be distinctive in spite of these similar marks. Considering the variety of other marks containing two X's preceded by a vowel, Oxxford cannot maintain that its mark remains distinctive because it also contains two X's preceded by a vowel. In other words, in the same motion in which Oxxford's expert shows that Exxon and Oxxford may be confused, Oxxford's proves that its trade name is *not distinctive* and therefore not worthy of trademark protection.

Oxxford's tarnishment claim also fails because Oxxford has not shown that its mark has been used in an unwholesome context. "[T]arnishment . . . is usually found where a distinctive mark is depicted in a context of sexual activity, obscenity or illegal activity. . . . In such situations, the trademark's reputation and commercial value might be diminished because the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods . . . " *Deere & Co.*, 41 F.3d at 43-44 (citations omitted). *See Jordache Enter.*, 828 F.2d at 1490 ("A mark can be tarnished if it is used in an unwholesome context. Precisely what suffices as an unwholesome context is not immediately

evident.").[4] Exxon's mark has remained the same since the early 1970's, and there is no evidence that the quality of Exxon's goods has changed for the worse over that twenty-five year period. Indeed, until Exxon launched its claim against Oxxford, Oxxford never complained to Exxon about the latter's trademark.

Oxxford argues that its tarnishment action accrued only when the public cried out against Exxon after the Valdez oil spill. Oxxford's argument is too convenient, for it would allow any corporation that uses a remotely similar mark to claim tarnishment based on events that have nothing to do with the "tarnishers" use of the trademark. This cannot be the law. Oxxford's cause of action for tarnishment accrued, if at all, when it became possible for consumers to confuse the two logotypes, *not* when Exxon's reputation became injured after the Exxon Valdez

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[4] *See Jordache*, 828 F.2d at 1490 (comparing *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 793 (9th Cir. 1981) ("Bagzilla" mark on garbage bags not "unsavory or degrading"); and *Tetley, Inc. v. Topps Chewing Gum, Inc.*, 556 F. Supp. 785, 794 (E.D.N.Y. 1983) ("Petley Flea Bags" does not tarnish "Tetley Tea Bags"); and *Girl Scouts of America v. Personality Posters Mfg.*, 304 F. Supp. 1228, 1233-34 (S.D.N.Y. 1969) (use of "Be Prepared" slogan on poster portraying a pregnant girl in a Girl Scout uniform does not injure the Girl Scouts); with *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979) (use of Dallas Cowboys Cheerleaders uniforms in "sexually depraved" movie improperly injures plaintiff's business reputation); and *Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc.*, 642 F. Supp. 1031, 1039-40 (N.D. Ga. 1986) (user of "Garbage Pail Kids" on various products sufficient evidence of tarnishment to support preliminary injunction); and *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1189 (E.D.N.Y. 1972) (use of Coca-Cola design in "Enjoy Cocaine" poster improper tarnishment)).

oil spill. In other words, Oxxford should have sued for tarnishment when Exxon adopted two X's preceded by a vowel. Oxxford did not do so, despite its awareness in 1972 that Exxon's double-X might create problems for Oxxford's mark. *See* Dkt. #77, Ex. 7. Now, many years later and after Exxon has expended millions of dollars to exploit its mark, Oxxford cannot seriously claim that Exxon's mark tarnishes Oxxford's. To allow such an ambush would destroy the doctrine of laches.

To prove laches, Exxon must show: "(1) delay in asserting a right or claim; (2) that the delay was inexcusable; (3) that undue prejudice resulted from the delay." *Zapata Corp. v. Zapata Trading Int'l*, 841 S.W. 2d 45, 50 (Tex. Ct. App. 1992). *See Rogers v. Ricane Enter., Inc.*, 772 S.W. 2d 76, 80 (Tex. 1989). Oxxford knew Exxon was using two X's preceded by a vowel in 1972. Twenty-three years later, Oxxford attempts to assert its right, an obvious delay that requires explanation. Oxxford does not attempt to explain the delay, except to argue that its action did not accrue until after the Valdez oil disaster. As the Court already explained, this argument is legally insufficient. Exxon has spent many millions of dollars to advance the use of its logotype over the twenty-three years of its existence. This expense, combined with many years of unfettered use, creates obvious prejudice to Exxon:

> [I]t cannot be equitable for a well informed merchant with knowledge of a claimed invasion of right, to wait and see how successful his competitor will be and then destroy with the aid of a court decree, much that the competitor has striven for and accomplished – especially in a case where the most that can be said is that the

> trademark infringement is a genuinely debatable question.

Schieffelin & Co. v. Jack Co. of Boca, Inc., 850 F. Supp. 232, 252 (S.D.N.Y. 1994) (citation omitted).

Therefore, Exxon's Motion for Summary Judgment as to Counts One and Two of Oxxford's Counterclaim (Dkt. #77) should be GRANTED and Oxxford's Motion for Partial Summary Judgment as to Exxon's Laches Defense (Dkt. #81) should be DENIED.

Exxon's Motion to Strike Portions of Oxxford Clothes XX's Counterclaim (Dkt. #29): GRANTED.

Oxxford Clothes, XX's Counterclaim against Exxon (Dkt. #21) is Oxxford's attempt to transmogrify a dilution and tarnishment counterclaim into an attack against Exxon's corporate activities. The paragraphs Exxon seeks to excise are commentary on Exxon's worldwide influence, including Oxxford's unsupported allegation that Exxon created the oil crisis of the 1970's, Answer ¶ 39(d), a poll verifying America's increased environmental awareness, Answer, ¶ 44, Exxon's efforts to destroy the environment and violate the antitrust laws, Answer ¶ 42, and finally, sixteen paragraphs relating to the Valdez oil spill in Alaska.

Obviously, Oxxford XX's counterclaim is not about Exxon's corporate practices, but about whether Exxon's logotype is sufficiently similar to Oxxford's logotype that the former dilutes and tarnishes the latter, allegedly distinctive mark. Oxxford claims that Exxon's morally bankrupt activities tarnish the good reputation of Oxxford's

mark. Considering the Court has granted summary judgment as to Oxxford's tarnishment and dilution counterclaim, the Court is of the opinion that Exxon's Motion to Strike (Dkt. #29) should be GRANTED in its entirety.

Exxon's Motion to Dismiss Count Three of Oxxford Clothes XX's First Amended Counterclaim (Dkt. #53): GRANTED

In Exxon's Original Complaint, Exxon alleged that Oxxford Clothes' use of Exxon's Interlocking X Design constitutes trademark infringement under the Lanham Act, 15 U.S.C. § 1114(1). *See* Complaint, Dkt. #1, at 5. Exxon's Second Amended Complaint (Dkt. #35) deleted the infringement claim, leaving only an allegation of common law dilution. *See* TEX. BUS. & COM. CODE ANN. § 16.29 (West Supp. 1996). In Count Three of Oxxford's First Amended Counterclaim (Dkt. #38), Oxxford requests declaratory relief that its use of a similar, Interlocking X Design does *not* infringe upon any of Exxon's marks under the Lanham Act. In its Motion to Dismiss Count Three (Dkt. #53), Exxon asks to dismiss this claim for declaratory relief because Oxxford is attempting to slow down an otherwise simple case.

The Court agrees. Although Exxon's original complaint *did* allege that Oxxford infringed upon Exxon's marks, since that time Exxon has represented to the Court that it will not pursue an infringement action (either now or in the future) against Oxxford. The Court is of the opinion that such a statement will work to bar future trademark infringement actions against Oxxford. Therefore, no case or controversy exists as to infringement, and Exxon's Motion to Dismiss Count Three of Oxxford

Clothes XX's First Amended Counterclaim (Dkt. #53) should be GRANTED.

Exxon's Motion to Compel Production of Documents (Dkt. #68): GRANTED

In its Motion to Compel (Dkt. #68), Exxon requests Oxxford to produce, among other things: (1) specimens of clothing, brochures, and other items bearing Oxxford's marks, (2) Oxxford's tax records showing Oxxford's allocation of the purchase price of Oxxford Clothes, Inc. to various assets acquired, (3) the numbers of sales persons wearing lapel pins containing the Interlocking X Design, (4) whether current advertisements contain the Interlocking X Design, and (5) the total dollar volume of sales of all products bearing the mark. The Court is of the opinion that Exxon's requests are reasonably calculated to lead to admissible discovery as to the extent of Oxxford's Use of the Interlocking X Design. Therefore, Oxxford Clothes XX, Inc. is hereby ORDERED, within twenty days of the entry of this Order, to produce those documents responsive to Exxon's requests for production as described in paragraphs 1 through 4, inclusively, of "Exxon's Motion to Compel Oxxford Clothes XX, Inc's Production of Documents and Further Response to Discovery" (Dkt. #68). To the extent production has already taken place for any or all of the above-cited paragraphs, Oxxford Clothes XX, Inc. shall SUPPLEMENT those answers as necessary.

III. Conclusion

In Summary:

* Exxon's Motion to Strike Portions of Oxxford's Counterclaim (Dkt. #29) is GRANTED;
* Exxon's Motion to Dismiss Count Three of Oxxford Clothes XX's First Amended Counterclaim (Dkt. #53) is GRANTED.
* Exxon's Motion for Entry of Agreed Protective Order (Dkt. #58) is MOOT;
* Exxon's Motion for Summary Judgment on Oxxford's Affirmative Defenses (Dkt. #66) is GRANTED in its entirety;
* Exxon's Motion to Compel Production of Documents (Dkt. #68) is GRANTED;
* Oxxford's Motion for Summary Judgment on its Affirmative Defense of Naked Licensing (Dkt. #69) is DENIED;
* Oxxford's Cross-Motion for Summary Judgment on Third Party Use (Dkt. #75) is DENIED;
* Exxon's Motion for Summary Judgment as to Counts One and Two of Oxxford's Counterclaim (Dkt. #77) is GRANTED;
* Oxxford's Motion for Partial Summary Judgment as to Exxon's Laches Defense (Dkt. #81) is DENIED.

The Clerk shall enter this Order and provide a true copy to all parties.

SIGNED this 14th of March, 1996.

/s/ John D. Rainey
UNITED STATES
DISTRICT JUDGE

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

EXXON CORPORATION Plaintiff, V. OXXFORD CLOTHES, INC., and OXXFORD CLOTHES XX, INC. Defendants.	§ § § § § § § §	CIVIL ACTION NO. H-94-3528 JURY DEMANDED (Filed March 22, 1996)

ORDER AMENDING DOCKET #116
GRANTING EXXON'S MOTION FOR SUMMARY
JUDGMENT ON OXXFORD'S AFFIRMATIVE DEFENSES

This Court having previously entered its Opinion and Order on March 18, 1996, in Docket #116, which is incorporated herein by this reference, granting Exxon's Motion for Summary Judgment on Oxxford's Affirmative Defenses, now hereby amends its Opinion and Order and finds that such Order to the extent that it grants summary judgment on Oxxford's Affirmative Defenses involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from this Order may materially advance the ultimate termination of the litigation.

SO ORDERED, this 22nd day of March, 1996.

/s/ John D. Rainey
UNITED STATES
DISTRICT JUDGE

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 96-00085
USDC No. H-94-CV-3528

EXXON CORPORATION,

Plaintiff-Respondent,

versus

OXXFORD CLOTHES, INC., and
OXXFORD CLOTHES XX, INC.,

Defendants-Petitioners.

Petition for Leave to Appeal an
Interlocutory Order

(Filed June 4, 1996)

Before **DAVIS, BARKSDALE, and DeMOSS,** Circuit Judges.

BY THE COURT:

Oxxford Clothes's petition for leave to bring an interlocutory appeal is GRANTED. Oxxford's interlocutory appeal is hereby CONSOLIDATED with appeal number 96-20398.

UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

Nos. 96-20398 and 96-20520

D.C. Docket No. H-94-CV-3528

EXXON CORPORATION

Plaintiff-Appellee

v.

OXXFORD CLOTHES INC; CLOTHES XX INC

Defendants-Appellants

Appeal from the United States District Court for the Southern District of Texas, Houston.

Before KING, GARWOOD, and PARKER, Circuit Judges.

JUDGMENT

(Filed Apr. 10, 1997)

This cause came on to be heard on the record on appeal and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now here ordered and adjudged by this Court that the judgment of the District Court in this cause is affirmed.

IT IS FURTHER ORDERED that defendants-appellants pay to plaintiff-appellee the costs on appeal to be taxed by the Clerk of this Court.

ISSUED AS MANDATE: JUN 6 1997

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 96-20398 Cons. w/
96-20520

EXXON CORPORATION

Plaintiff-Appellee

v.

OXXFORD CLOTHES INC; CLOTHES XX INC

Defendants-Appellants

Appeals from the United States District Court for the Southern District of Texas, Houston

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ON PETITION FOR REHEARING AND
SUGGESTION FOR REHEARING EN BANC

(Opinion 4/10/97, 5 Cir. 1997, ___ F.3d ___)

(Filed May 14, 1997)

Before KING, GARWOOD and PARKER, Circuit Judges.

PER CURIAM:

(X) The Petition for Rehearing is DENIED and no member of this panel nor judge in regular active service on the court having requested that the court be polled on Rehearing En Banc, (FRAP and Local Rule 35) the Suggestion for Rehearing En Banc is also DENIED.

( ) The Petition for Rehearing is DENIED and the court having been polled at the request of one of the members

of the court and a majority of the judges who are in regular active service not having voted in favor, (FRAP and Local Rule 35) the Suggestion for Rehearing En Banc is also DENIED.

( ) A member of the court in active service having requested a poll on the reconsideration of this cause en banc, and a majority of the judges in active service not having voted in favor, Rehearing En Banc is DENIED.

ENTERED FOR THE COURT:

/s/ William Garwood
United States Circuit Judge

CLERK'S NOTE:

SEE FRAP AND LOCAL RULES 41 FOR STAY OF THE MANDATE.

APPENDIX D

15 U.S.C. 1127(2)

A mark shall be deemed to be 'abandoned' when either of the following occurs:

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin. Purchaser motivation shall not be a test for determining abandonment under this subparagraph.

15 U.S.C. 1055

Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public. If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be.

15 U.S.C. 1064(3) & (5)(A)

A petition to cancel a registration of a mark . . . may . . . be filed . . . by any person who believes that he is or will be damaged . . . :

(3) At any time . . . if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used.

(5)(A) At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark . . . :

Provided, that the Federal Trade Commission may apply to cancel on the grounds specified in paragraphs (3) and (5) of this section any mark registered on the principal register . . .

15 U.S.C. 1115(b)(2) & (b)(3)

(b) [T]he registration shall be conclusive evidence of the validity of the registered mark . . . and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence of the right to use the registered mark shall be subject . . . to the following defenses or defects:

(2) That the mark has been abandoned by the registrant;

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used . . .